

SUPPLEMENT TO PRELIMINARY OFFICIAL STATEMENT

in connection with

\$238,380,000*

TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION

Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project)

consisting of

| | | | | |
|-------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|
| \$152,235,000* | \$22,250,000* | \$22,250,000* | \$38,250,000* | \$3,395,000* |
| Series 2017A | Series 2017B-1 | Series 2017B-2 | Series 2017B-3 | Taxable |
| Fixed Rate Bonds | Tax Exempt | Tax Exempt | Tax Exempt | Series 2017C |
| | Mandatory | Mandatory | Mandatory | Taxable |
| | Paydown | Paydown | Paydown | Mandatory |
| | Securities | Securities | Securities | Paydown |
| | (TEMPS-80SM) | (TEMPS-65SM) | (TEMPS-50SM) | Securities |
| | | | | (Taxable MPSSM) |

This Supplement provides information supplemental to the Preliminary Official Statement, dated April 14, 2017 (as herein supplemented, the "Preliminary Official Statement"), relating to the Bonds described above.

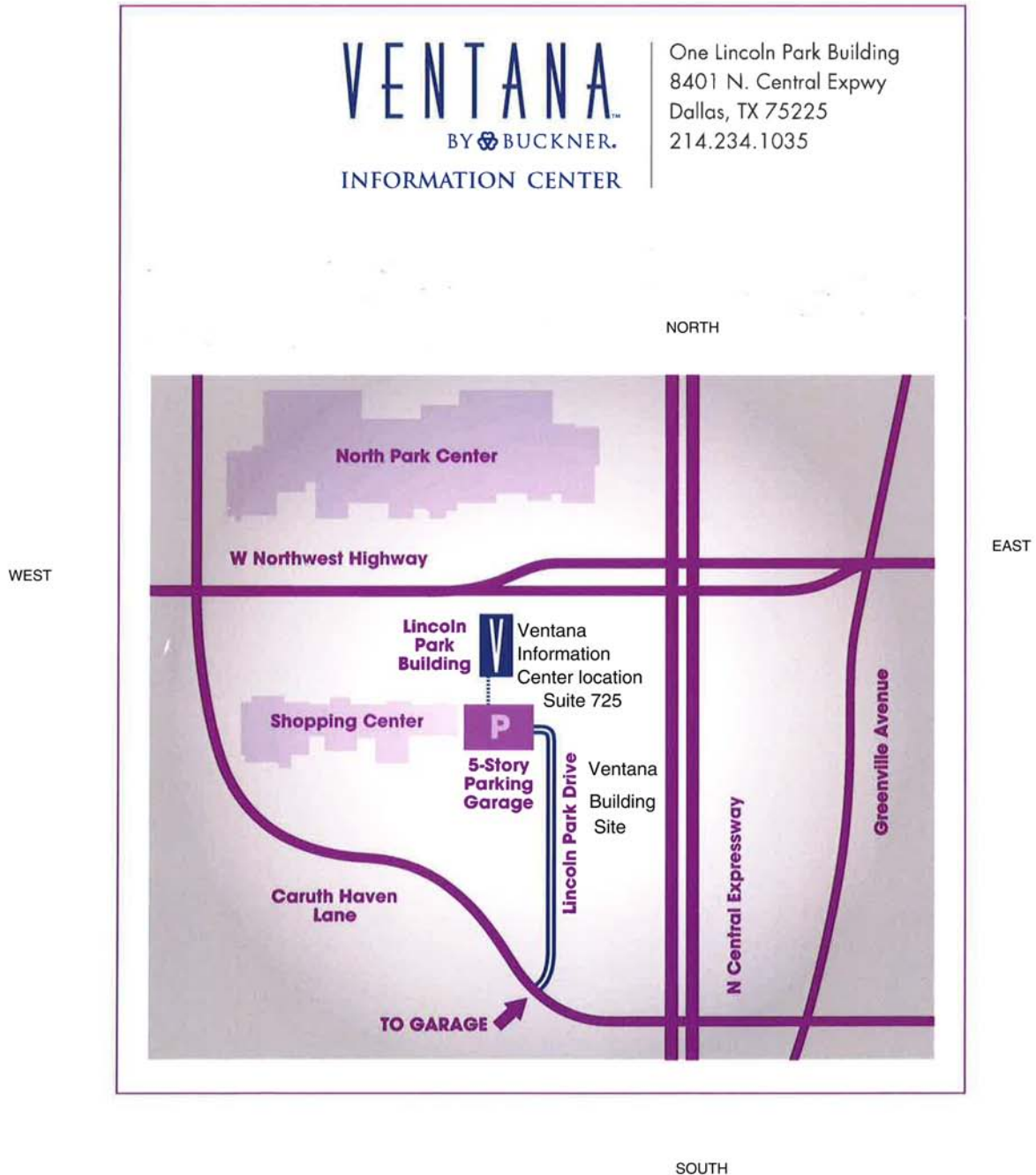
This Supplement must be read in conjunction with the Preliminary Official Statement, including the appendices thereto. All capitalized terms used in this Supplement but not otherwise defined herein shall have the same meanings ascribed to such terms in the Preliminary Official Statement. *This Supplement should not be separated from the Preliminary Official Statement, and neither this Supplement nor the Preliminary Official Statement should be relied upon in any way independently of each other.*

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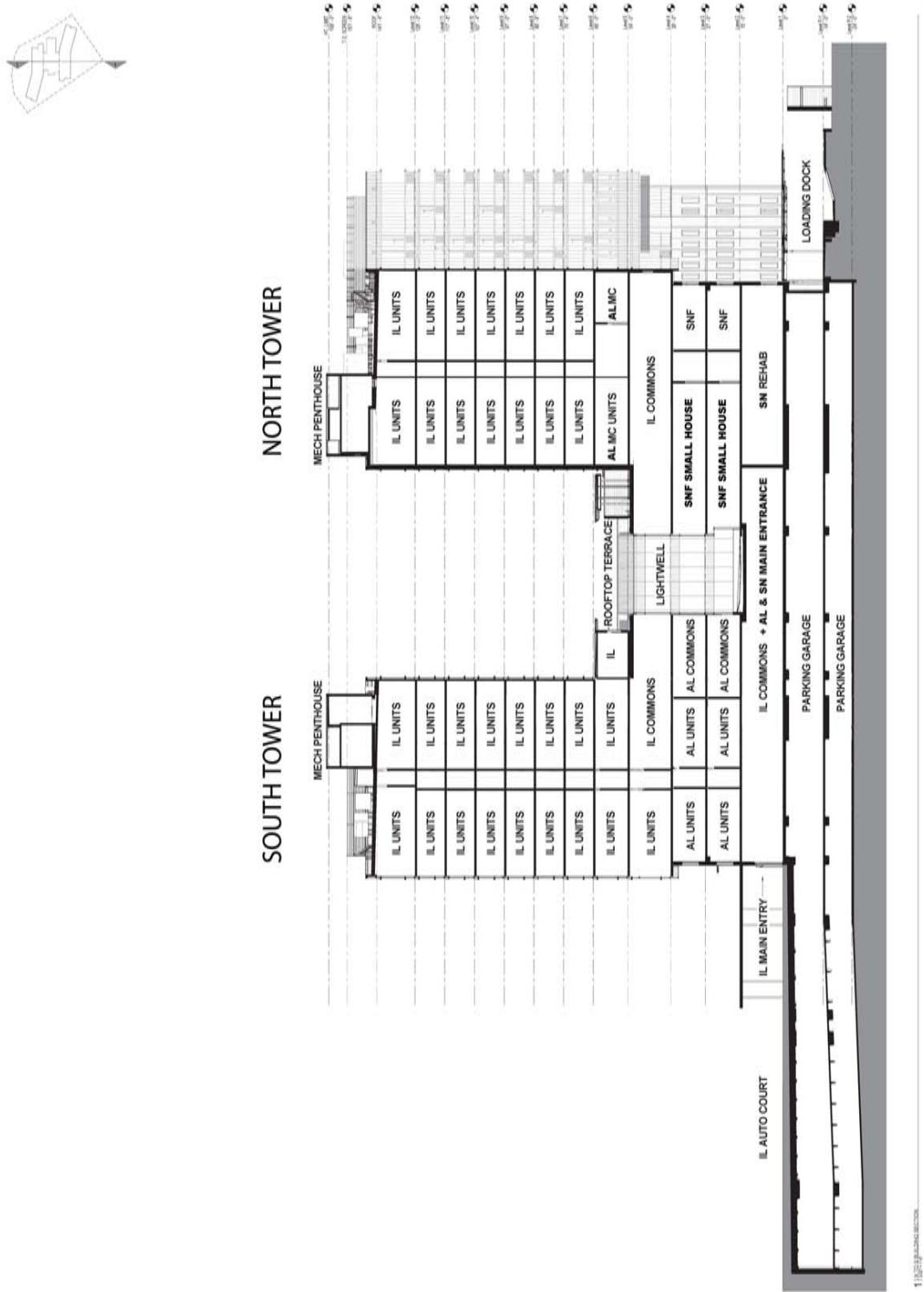
* Preliminary, subject to change.

SM TEMPS-80, TEMPS-65, TEMPS-50 and Taxable MPS are each a service mark of B.C. Ziegler and Company.

The following location map shall be added before the image titled "Sideview of Project Showing Levels of Care" on the inside cover of the Preliminary Official Statement:



The image titled "Sideview of Project Showing Levels of Care" on the inside cover of the Preliminary Official Statement shall be deleted and replaced with the following image:



Sideview of Project Showing Levels of Care

The second sentence under the subsection titled "*Buckner International*" on page ii of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"BI is exempt from federal income taxation under Section 501(a) of the Code by virtue of being a charitable organization described in Section 501(c)(3) of the Code."

The subsection titled "*The Foundation*" on page iii of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"*The Foundation.* The Foundation is organized to support and benefit the activities and purposes of BI and its affiliates, including making cash distributions to BI and its affiliates as required. The Foundation is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code. Pursuant to the hereinafter described Liquidity Support Agreement, the Foundation has agreed to provide liquidity support to the Project and the Obligor in an initial aggregate amount of \$10,000,000 (increasing up to \$15,000,000 upon certain conditions), subject to adjustment. **THE FOUNDATION IS NOT OBLIGATED WITH RESPECT TO THE REPAYMENT OF THE BONDS OTHER THAN WITH RESPECT TO THE COMMITMENT OF THE FOUNDATION UNDER THE LIQUIDITY SUPPORT AGREEMENT. SEE "LIQUIDITY SUPPORT AGREEMENT" HEREIN FOR ADDITIONAL INFORMATION."**

The subsection titled "Liquidity Support Agreement" on page vi of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Liquidity Support Agreement

The Obligor, the Foundation, and UMB Bank, N.A., the hereinafter described Master Trustee and Bond Trustee, will enter into a liquidity support agreement (the "Liquidity Support Agreement") upon closing of the Bonds, pursuant to which the Foundation will provide liquidity support to the Obligor in a maximum amount of \$15,000,000, subject to adjustment. The initial deposit by the Foundation to the Liquidity Support Account in the amount of \$10,000,000 will be made on the date of issuance of the Bonds. The moneys available under the Liquidity Support Agreement may be drawn by the Bond Trustee, the Master Trustee or the Obligor to pay for Project costs, debt service on the Bonds, or any working capital or operating expense needs in conjunction with the Community, if no other funds are available for those purposes in any trustee-held fund held by the Bond Trustee (other than the Debt Service Reserve Fund) or Master Trustee,

subject to the provisions of the Liquidity Support Agreement. The obligation to repay draws under the Liquidity Support Agreement (the "Obligor Repayment Obligation") will constitute "Subordinated Indebtedness" of the Obligor as defined in the hereinafter described Master Indenture, will be evidenced by a Subordinate Note (as defined below) issued pursuant to the Master Indenture and will be subject to certain repayment restrictions. No repayment of such Subordinated Indebtedness to the Foundation may be made except as described in **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Limitation on Payments on Subordinated Indebtedness to Affiliates"** herein. See **"LIQUIDITY SUPPORT AGREEMENT"** herein."

The reference to the date "June 30, 2017" in the first sentence under the subsection titled **"Marketing Covenant"** on page xi of the Preliminary Official Statement shall be replaced with a reference to the date "September 30, 2017."

The table under the subsection titled **"Marketing Covenant"** on page xiii of the Preliminary Official Statement shall be modified to delete the first row labeled "June 30, 2017" in its entirety.

A new subsection titled **"Marketing Consultant"** shall be added to the end of the subsection titled **"Certain Covenants of the Obligated Group"** on page xvi of the Preliminary Official Statement and shall read as follows:

"Marketing Consultant. The Obligated Group is required to engage a Marketing Consultant (which may be the Obligated Group) at all times until the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs. Except as provided below, the Members of the Obligated Group shall be required to retain a new Marketing Consultant, if the Obligated Group fails to meet the required Marketing Requirements or Occupancy Requirements, each as described in the Master Indenture, for four consecutive quarters or Occupancy Quarters, as applicable.

Whenever the Obligated Group is required to retain a new Marketing Consultant, as described above, the Obligated Group Representative shall immediately retain a Consultant (who shall not be the Marketing Consultant) who shall, within 30 days of actual engagement of a new Marketing Consultant, submit to the Master Trustee a written report that: (a) sets forth in reasonable detail the reasons for the deficiency, and (b) lists two or more Persons experienced in the marketing of facilities of a type and size similar to the Project. If the Obligated Group is required to retain a new Marketing Consultant under the circumstances described above, the Obligated Group shall retain as Marketing Consultant a Person from the list submitted by the Consultant. If the Obligated Group is required to terminate an existing Marketing Consultant's contract, any other provisions in the Marketing Consultant's contract that are unrelated to the

marketing of the Project shall remain in full force and effect without any amendment or other modification thereto.

In the event that a new Marketing Consultant is appointed by the Obligated Group Representative pursuant to the requirements of the Master Indenture, the provisions of the Master Indenture shall not be applied to require appointment of another new Marketing Consultant until the new Marketing Consultant appointed pursuant to the requirements set forth herein has been engaged for at least 12 months.

Notwithstanding the foregoing, the Obligated Group shall not be required to retain a new Marketing Consultant if:

(a) the report referenced above contains sufficient detail to support the conclusions made therein and concluding (i) that the failure of the Obligated Group to comply with the Marketing Requirements or the Occupancy Requirements is primarily due to factors outside the control of the present Marketing Consultant, or (ii) that retaining a new Marketing Consultant is not likely to materially improve the Obligated Group's ability to comply with the Marketing Requirements or the Occupancy Requirements; and

(b) the Obligated Group provides an Officer's Certificate stating that the performance by the Marketing Consultant is satisfactory and setting forth the reasons supporting retention of the present Marketing Consultant."

The last paragraph of the subsection titled "*Security for the Bonds*" on page 4 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"The Obligor, the Foundation, and the Master Trustee and the Bond Trustee, will enter into a liquidity support agreement (the "Liquidity Support Agreement") upon closing of the Bonds, pursuant to which the Foundation (as defined herein) will provide liquidity support to the Obligor in an initial aggregate amount of \$10,000,000 (increasing up to \$15,000,000 upon certain conditions), subject to adjustment. The moneys available under the Liquidity Support Agreement may be drawn by the Bond Trustee, the Master Trustee or the Obligor to pay for Project costs, debt service on the Bonds, or any working capital or operating expense needs in conjunction with the Community, if no other funds are available for those purposes in any trustee-held fund held by the Bond Trustee (other than the Debt Service Reserve Fund) or Master Trustee, subject to the provisions of the Liquidity Support Agreement. The obligation to repay draws under the Liquidity Support Agreement (the "Obligor Repayment

Obligation") will constitute "Subordinated Indebtedness" of the Obligor as defined in the Master Indenture, will be evidenced by a Subordinate Note issued pursuant to the Master Indenture and will be subject to certain repayment restrictions. No repayment of such Subordinated Indebtedness to the Foundation may be made except as described in **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Limitation on Payments on Subordinated Indebtedness to Affiliates"** herein. See **"LIQUIDITY SUPPORT AGREEMENT"** herein."

The second sentence under the subsection titled **"Buckner International"** on page 7 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"BI is exempt from federal income taxation under Section 501(a) of the Code by virtue of being a charitable organization described in Section 501(c)(3) of the Code."

The subsection titled **"The Foundation"** on page 8 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"The Foundation. The Foundation is organized to support and benefit the activities and purposes of BI and its affiliates, including making cash distributions to BI and its affiliates as required. The Foundation is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code. Pursuant to the Liquidity Support Agreement, the Foundation has agreed to provide liquidity support to the Project and the Obligor in the maximum amount of \$15,000,000, subject to adjustment. The deposit by the Foundation to the Liquidity Support Account in the amount of \$10,000,000 will be made on the date of issuance of the Bonds. **THE FOUNDATION IS NOT OBLIGATED WITH RESPECT TO THE REPAYMENT OF THE BONDS OTHER THAN WITH RESPECT TO THE COMMITMENT OF THE FOUNDATION UNDER THE LIQUIDITY SUPPORT AGREEMENT. SEE "LIQUIDITY SUPPORT AGREEMENT" HEREIN FOR ADDITIONAL INFORMATION.**"

The subsection titled **"Property Tax Exemption"** on page 11 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Property Tax Exemption

The Obligor received a property tax exemption from the Dallas Central Appraisal District effective July 1, 2017. The exemption does not require an

annual application, however if additional property is acquired, a new application would be required. See **"RISK FACTORS - Property Tax Exemption"** herein."

The table titled **"ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS*"** on page 13 of the Preliminary Official Statement shall be deleted and replaced in its entirety with the following table:

[Remainder of page intentionally left blank]

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS*

The following table sets forth the estimated amounts required for the payment of principal of the Series 2017A Bonds at maturity or by mandatory sinking fund redemption and for the anticipated payment of principal of the other Bonds from anticipated Initial Entrance Fees in compliance with the requirements of the Master Indenture and for the payment of interest on the Bonds for each Bond Year ending November 15. In addition, pursuant to the relevant provisions of the Master Indenture, the Obligated Group anticipates prepaying the Taxable Series 2017C Bonds, the Series 2017B-3 Bonds, the Series 2017B-2 Bonds, and the Series 2017B-1 Bonds (in that order) from Initial Entrance Fees prior to their stated maturity. The actual timing of the prepayment of the Taxable Series 2017C Bonds, the Series 2017B-3 Bonds, the Series 2017B-2 Bonds and the Series 2017B-1 Bonds may differ from the assumptions below because of timing differences in the actual receipt of Initial Entrance Fees.

| Bond Year Ending November 15 | Series 2017A Bonds | | Series 2017B-1 Bonds | | Series 2017B-2 Bonds | | Series 2017B-3 Bonds | | Taxable Series 2017C Bonds | | Total Debt Service |
|------------------------------------|--------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|-------------------------------|----------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2017 | | | | | | | | | | | |
| 2018 | | | | | | | | | | | |
| 2019 | | | | | | | | | \$2,145,000 | | |
| 2020 | | | \$ 4,010,000 | | \$22,250,000 | | \$38,250,000 | | 1,250,000 | | |
| 2021 | | | 18,240,000 | | | | | | | | |
| 2022 | | | | | | | | | | | |
| 2023 | | | | | | | | | | | |
| 2024 | \$ 855,000 | | | | | | | | | | |
| 2025 | 1,830,000 | | | | | | | | | | |
| 2026 | 1,965,000 | | | | | | | | | | |
| 2027 | 2,105,000 | | | | | | | | | | |
| 2028 | 2,255,000 | | | | | | | | | | |
| 2029 | 2,415,000 | | | | | | | | | | |
| 2030 | 2,590,000 | | | | | | | | | | |
| 2031 | 2,775,000 | | | | | | | | | | |
| 2032 | 2,970,000 | | | | | | | | | | |
| 2033 | 3,185,000 | | | | | | | | | | |
| 2034 | 3,410,000 | | | | | | | | | | |
| 2035 | 3,655,000 | | | | | | | | | | |
| 2036 | 3,915,000 | | | | | | | | | | |
| 2037 | 4,195,000 | | | | | | | | | | |
| 2038 | 4,495,000 | | | | | | | | | | |
| 2039 | 4,820,000 | | | | | | | | | | |
| 2040 | 5,165,000 | | | | | | | | | | |
| 2041 | 5,530,000 | | | | | | | | | | |
| 2042 | 5,925,000 | | | | | | | | | | |
| 2043 | 6,350,000 | | | | | | | | | | |
| 2044 | 6,805,000 | | | | | | | | | | |
| 2045 | 7,290,000 | | | | | | | | | | |
| 2046 | 7,815,000 | | | | | | | | | | |
| 2047 | 8,370,000 | | | | | | | | | | |
| 2048 | 8,970,000 | | | | | | | | | | |
| 2049 | 9,610,000 | | | | | | | | | | |
| 2050 | 10,300,000 | | | | | | | | | | |
| 2051 | 11,035,000 | | | | | | | | | | |
| 2052 | 11,825,000 | | | | | | | | | | |
| Total | \$152,425,000 | | \$22,250,000 | | \$22,250,000 | | \$38,250,000 | | \$3,395,000 | | \$ - |

*Totals may not add due to rounding.

*Preliminary, subject to change.

SMTEMPS-80, TEMPS-65, TEMPS-50 and Taxable MPS are each a service mark of B.C. Ziegler and Company.

The following paragraph shall be added after the fourth paragraph of the subsection titled "*Transfers and Exchanges; Persons Treated as Owners*" on page 15 of the Preliminary Official Statement:

"The Bond Trustee may conclusively rely upon a certification by any Person to the effect that such Person is a beneficial owner of a specified principal amount of any series of Bonds in determining whether the owners of a specified percentage of the principal amount of such series of Bonds has consented, approved, waived, directed or otherwise taken any action under this Bond Indenture."

The reference to the date "June 30, 2017" in the first sentence under the subsection titled "*Marketing Covenant*" on page 29 of the Preliminary Official Statement shall be replaced with a reference to the date "September 30, 2017."

The table under the subsection titled "*Marketing Covenant*" on page 30 of the Preliminary Official Statement shall be modified to delete the row labeled "June 30, 2017" in its entirety.

The fourth paragraph under the subsection titled "*Marketing Covenant*" on page 31 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"If the Obligated Group fails to achieve the Marketing Requirement for three consecutive fiscal quarters, the Obligated Group Representative will, within 30 days of the notice of such failure to the Required Information Recipients, notify the Required Information Recipients of the time, manner and place of a meeting to be conducted by the Obligated Group Representative with owners of the Bonds to discuss such failure and the actions to be taken by the Obligated Group in connection therewith."

The fourth paragraph under the subsection titled "*Occupancy Covenant*" on page 33 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"If the Obligated Group fails to achieve the Occupancy Requirement for three consecutive fiscal quarters, the Obligated Group Representative will, within 30 days of the notice of such failure to the Required Information Recipients, notify the Required Information Recipients of the time, manner and place of a meeting to be conducted by the Obligated Group Representative with owners of the Bonds to discuss such failure and the actions to be taken by the Obligated Group in connection therewith."

The fourth paragraph of the subsection titled "*Cumulative Cash Operating Loss Covenant*" on page 35 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"If the Obligated Group fails to achieve the required Cumulative Cash Operating Loss level for three consecutive fiscal quarters the Obligated Group Representative will, within 30 days of the notice of such failure to the Required Information Recipients, notify the Required Information Recipients of the time, manner and place of a meeting to be conducted by the Obligated Group Representative with owners of the Bonds to discuss such failure and the actions to be taken by the Obligated Group in connection therewith."

The subsection titled "*Changes in Pricing Structure*" on page 35 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"*Changes in Pricing Structure.* (a) The Obligated Group covenants that prior to taking any action to decrease Initial Entrance Fees, monthly service fees or per diem charges with respect to the Facilities that would, in and of itself, decrease the amount of Initial Entrance Fees (as shown in the Feasibility Study) by more than 10% or the amount of Total Revenues of the Obligor as shown in the Forecasted Statements of Operations and Changes in Net Deficit in the Feasibility Study by more than 10% for the current or any future Fiscal Year, the Obligated Group Representative shall engage a Consultant in accordance with the Master Indenture to prepare a report that establishes that such proposed decrease will not materially adversely impact the redemption of the Temporary Bonds with the Initial Entrance Fees. For purposes of this section, a decrease in Initial Entrance Fees, monthly service fees or per diem charges shall be deemed to materially adversely impact the redemption of the Temporary Bonds with Initial Entrance Fees if the forecasted Initial Entrance Fees, taking into account the proposed reduction, are insufficient to redeem the Temporary Bonds by August 1, 2021.

(b) The Obligated Group will no longer be subject to the requirements of paragraph (a) above once all of the Temporary Bonds have been fully redeemed or otherwise paid in full."

The subsection titled "*Approval of Consultants*" on page 38 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"*Approval of Consultants.* The Master Indenture provides that if at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture with regard to the Liquidity Support Account, rate covenant, liquidity covenant, marketing covenant, occupancy covenant, cumulative cash operating loss covenant or changes in pricing structure

covenant, such Consultant shall be engaged in the manner as set forth below in this subsection.

Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee and the Required Information Recipients of such selection. The Master Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations outstanding under the Master Indenture of such selection. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Obligation holder submits an objection to the selected 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 the Obligations holders. No later than two Business Days after the end of the 30-day objection period, the Master Trustee is required to notify the Obligated Group of the number of objections. If 66.6% or more in aggregate principal amount of the holders of the outstanding Obligations have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative is required to engage the Consultant within three Business Days, (which date shall be the date of actual engagement of the applicable Consultant for purposes of the Liquidity Support Account, rate covenant, liquidity covenant, marketing covenant, occupancy covenant, cumulative cash operating loss covenant or changes in pricing structure covenant). If more than 33.4% in aggregate principal amount of the holders of the Obligations outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with the procedures described herein.

When the Master Trustee notifies the holders of Obligations of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information described in the paragraph above to the owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related Bonds have consented to the selection of the Consultant or have not responded to the request for consent, the Related Bond Trustee shall notify the Master Trustee that it consents to the selection of the Consultant. If more than 33.4% in aggregate principal amount of the owners of the Related Bonds

outstanding have objected to the Consultant selected, the Related Bond Trustee shall notify the Master Trustee that it objects to the Consultant selected.

The 30-day notice period described above may be extended by no more than 10 additional days by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 30 days to respond to the notice given by the Related Bond Trustee.

For further information about the approval of Consultants, including the ability of owners to object to the selection of a Consultant, see **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants."**

The subsection titled "*Payments or Transfers of Cash to Affiliates*" on page 40 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Payments or Transfers of Cash to Affiliates. (a) The Obligated Group has agreed in the Master Indenture that it shall not make any payments or other transfer of cash to an Affiliate unless (i) the Temporary Bonds have been paid in full; (ii) the Historical Debt Service Coverage Ratio of the Obligated Group for the two preceding Fiscal Years was not less than 1.35:1; (iii) there is no deficiency in any Related Bonds Debt Service Reserve Fund; (iv) the Days Cash on Hand for each of the two preceding Testing Dates was not less than 250; (v) the Independent Living Units that are part of the Facilities have had an average occupancy for the preceding twelve months of not less than 90%; (vi) the Independent Living Units, the assisted living units, the memory support units and the nursing beds that are part of the Facilities collectively have had an average occupancy for the preceding six months of not less than 85%; and (vii) no Deferred Affiliate Management Fees are then outstanding; (viii) no Subordinated Indebtedness to any Affiliate is then outstanding; and (ix) no Event of Default has occurred and is continuing hereunder. If the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group may transfer to an Affiliate 50% of the amount of Cash and Investments that are in excess of 300 Days Cash on Hand. In addition, if the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group may transfer to an Affiliate 100% of the amount of Cash and Investments that are in excess of 420 Days Cash on Hand.

(b) Payment of Affiliate Development Fees, Current Affiliate Management Fees and Deferred Affiliate Management Fees are not required to comply with the provisions of paragraph (a) above."

The following new subsections shall be added to the end of the subsection titled "Certain Covenants of the Obligated Group" on page 40 of the Preliminary Official Statement and shall read as follows:

Actuarial Study. Within 150 days after the Fiscal Year following the second full Fiscal Year of operations, and at least once every three Fiscal Years thereafter, the Obligated Group Representative, at the Obligated Group's expense, shall provide the actuarial study described below to each Member and each Required Information Recipient. The actuarial study shall be prepared by a Consultant and include (i) the amount, if any, of the Obligated Group's obligations to provide services under the Residency Agreements anticipated to be in excess of those that could be satisfied using the rates, fees and charges for the Facilities then in effect, and (ii) an opinion on whether the Obligated Group is able to meet its obligations as defined by the Actuarial Standard of Practice No. 3 or any successor to such Standard issued by the Actuarial Standards Board. If the opinion of the Consultant does not state that the Obligated Group will be able to meet its obligations, the Obligated Group Representative will, within 30 days of receipt of such opinion, prepare a report of changes to the rates, fees and charges of the Members and the Obligated Group's methods of operation in order to enable the Obligated Group to satisfy such obligations. Each Member shall make such changes applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law.

Marketing Consultant. The Obligated Group is required to engage a Marketing Consultant (which may be the Obligated Group) at all times until the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs. Except as provided below, the Members of the Obligated Group shall be required to retain a new Marketing Consultant, if the Obligated Group fails to meet the required Marketing Requirements or Occupancy Requirements, each as described in the Master Indenture, for four consecutive quarters or Occupancy Quarters, as applicable.

Whenever the Obligated Group is required to retain a new Marketing Consultant, as described above, the Obligated Group Representative shall immediately retain a Consultant (who shall not be the Marketing Consultant) who shall, within 30 days of actual engagement of a new Marketing Consultant, submit to the Master Trustee a written report that: (a) sets forth in reasonable detail the reasons for the deficiency, and (b) lists two or more Persons experienced in the marketing of facilities of a type and size similar to the Project. If the Obligated Group is required to retain a new Marketing Consultant under the circumstances described above, the Obligated Group shall retain as Marketing Consultant a Person from the list submitted by the Consultant. If the Obligated Group is

required to terminate an existing Marketing Consultant's contract, any other provisions in the Marketing Consultant's contract that are unrelated to the marketing of the Project shall remain in full force and effect without any amendment or other modification thereto.

In the event that a new Marketing Consultant is appointed by the Obligated Group Representative pursuant to the requirements of the Master Indenture, the provisions of the Master Indenture shall not be applied to require appointment of another new Marketing Consultant until the new Marketing Consultant appointed pursuant to the requirements set forth herein has been engaged for at least 12 months.

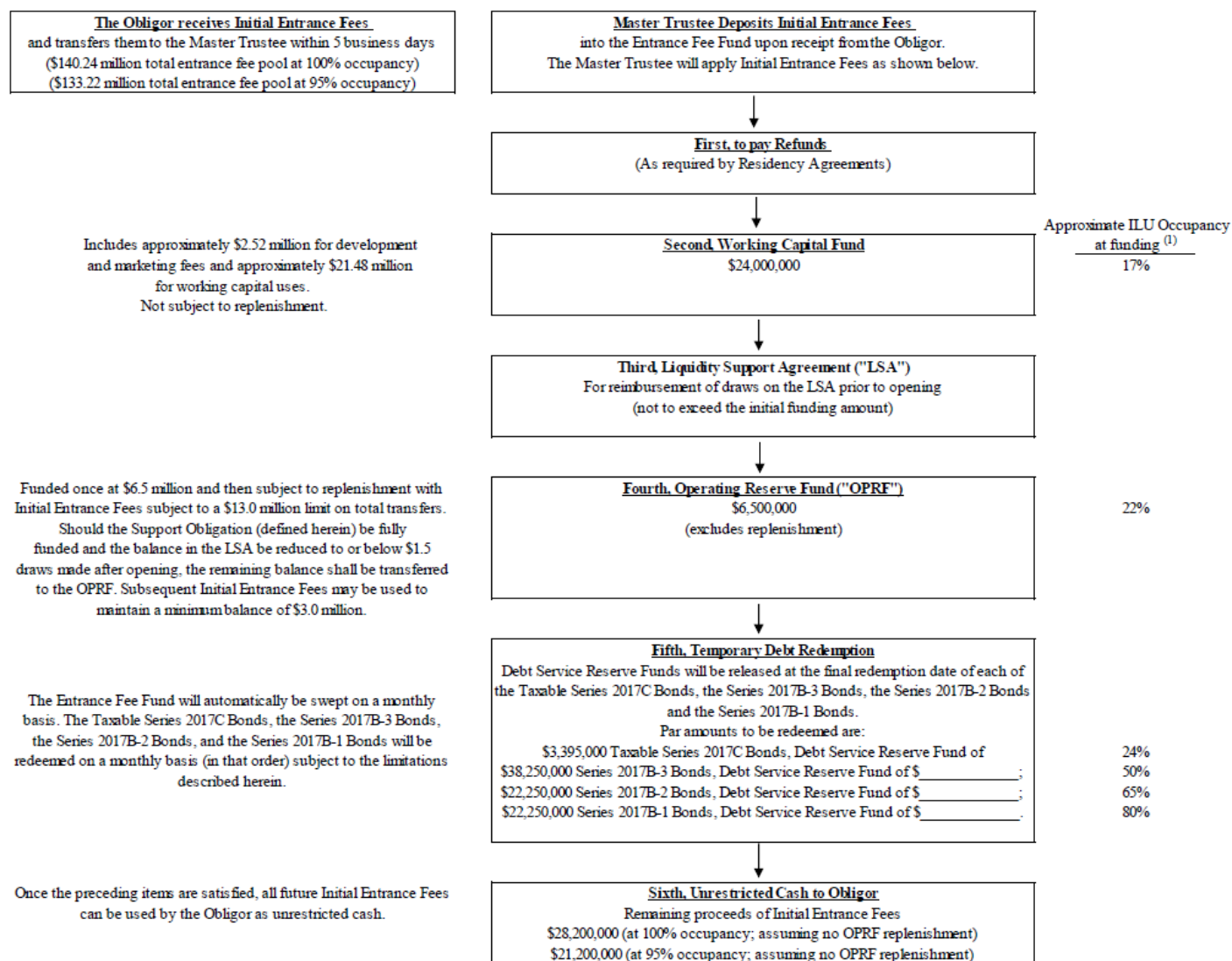
Notwithstanding the foregoing, the Obligated Group shall not be required to retain a new Marketing Consultant if:

(a) the report referenced above contains sufficient detail to support the conclusions made therein and concluding (i) that the failure of the Obligated Group to comply with the Marketing Requirements or the Occupancy Requirements is primarily due to factors outside the control of the present Marketing Consultant, or (ii) that retaining a new Marketing Consultant is not likely to materially improve the Obligated Group's ability to comply with the Marketing Requirements or the Occupancy Requirements; and

(b) the Obligated Group provides an Officer's Certificate stating that the performance by the Marketing Consultant is satisfactory and setting forth the reasons supporting retention of the present Marketing Consultant."

[Remainder of page intentionally left blank]

The table titled "Cash Waterfall of Entrance Fees" on page 43 of the Preliminary Official Statement shall be deleted and replaced in its entirety with the following table:



(1) Occupancy percentages would be higher in the event of a replenishment of the OPRF. See "RISK FACTORS - Delay in Payment of Temporary Debt."

[Remainder of page intentionally left blank]

The section titled "LIQUIDITY SUPPORT AGREEMENT" on page 46 of the Preliminary Official Statement shall be amended as follows:

"LIQUIDITY SUPPORT AGREEMENT"

General

The Foundation has agreed to provide up to \$~~10~~15,000,000 plus any amounts required to be deposited by the Foundation as described below to the Obligor for Project costs, working capital or operating expenses of the Community, and debt service on the Bonds, all as provided therein and summarized below. The Foundation is referred to for purposes of the Liquidity Support Agreement as the "Liquidity Provider." The Support Obligation (as defined below) of the Liquidity Provider is secured by the deposit of moneys in the Liquidity Support Account, and is payable solely from the Liquidity Support Account.

Liquidity Support Account

The Liquidity Provider will establish a Liquidity Support Account (the "Liquidity Support Account") with the Master Trustee pursuant to the Liquidity Support Agreement. The Liquidity Support Account shall be the property of the Liquidity Provider, but shall be pledged to fund and secure the Liquidity Provider's obligations under the Liquidity Support Agreement.

The Liquidity Provider agrees to pay the amounts requested by the Obligor, the Master Trustee or the Bond Trustee for the purposes described in the Liquidity Support Agreement, in a maximum amount of \$~~10~~15,000,000 (subject to reduction in accordance with the Liquidity Support Agreement) plus any amounts required to be deposited in the Liquidity Support Account due to valuation deficiencies (the "Support Obligation"). The initial deposit by the Liquidity Provider ~~to on~~ the ~~Liquidity Support Account on March 1, 2019~~date of issuance of the Bonds shall be \$~~210~~210,000,000. ~~To the extent that the request for any draw on the Liquidity Support Account exceeds the amount then on deposit (including any draw made prior to March 1, 2019), the Liquidity Provider shall transfer the amount of such deficiency to the Liquidity Support Account, limited to the Support Obligation less any amounts previously deposited to the Liquidity Support Account~~

~~Commencing upon the issuance of a certificate of occupancy for any Entrance Fee Unit in the Facilities, each time~~If the amount on deposit in the Liquidity Support Account falls below \$~~1,500~~5,000,000 as a result of one or more draws on the Liquidity Support Account, the Master Trustee shall notify the Liquidity Provider of such event and the Liquidity Provider shall, within five

Business Days of the receipt of notice of such event, transfer directly to the Master Trustee for deposit in the Liquidity Support Account an ~~additional \$2,000,000 up to an amount equal to the~~ amount sufficient to fund the Liquidity Support Account so that the amount on deposit therein is \$5,000,000; provided that the aggregate of such amounts together with the initial deposit does not exceed the remaining Support Obligation.

~~The Liquidity Provider shall, within five Business Days of the occurrence thereof, give notice of the occurrence of any Funding Event to the Master Trustee and the Required Information Recipients (as defined in the Master Indenture) and, contemporaneously with such notice, transfer directly to the Master Trustee for deposit in the Liquidity Support Account an amount equal to the Support Obligation less the amounts previously deposited to the Liquidity Support Account.~~

~~A "Funding Event" is defined in the Liquidity Support Agreement to mean the Liquidity Provider fails to meet the Liquidity Provider Net Asset Level Requirement for any fiscal year of the Liquidity Provider.~~

~~"Liquidity Provider Net Asset Level Requirement" means that the Unrestricted Net Assets of the Liquidity Provider (calculated as of the last day of the most recent fiscal year of the Liquidity Provider for which financial statements that have been reported upon by independent certified public accountants are available) equal or exceed 75% of the amount of any Indebtedness of any Person (as such terms are defined in the Master Indenture) that is subject to a guaranty or other credit support agreement delivered by the Liquidity Provider that would or could require the Liquidity Provider to advance funds to make payments on such Indebtedness.~~

The Master Trustee may withdraw moneys from the Liquidity Support Account to the extent necessary to pay Project costs, working capital or operating expenses of the Community, and debt service on the Bonds, all in accordance with the Liquidity Support Agreement.

Moneys held in the Liquidity Support Account will, pursuant to written direction of the Liquidity Provider, be invested and reinvested by the Master Trustee in accordance with the provisions of the Liquidity Support Agreement in investments directed by the Liquidity Provider in its sole discretion. which may be sold or redeemed at the option of the owner thereof not later than the date of any transfer from the Liquidity Support Account; provided, however, if the Liquidity Provider fails to give such written direction to the Master Trustee, the Master Trustee shall invest such moneys as provided in the Master Indenture. The Master Trustee may make any investments permitted by this paragraph through its own bond department or short-term investment department and may pool moneys for

investment purposes. Any such investments shall be held by or under the control of the Master Trustee and shall be deemed at all times a part of the Liquidity Support Account. The interest earned on and any profit realized from investments held in the Liquidity Support Account ~~is required to~~ shall be deposited into the Liquidity Support Account. Any loss resulting from such investments shall be charged to such account. The Master Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in such account is insufficient for the purposes of such account. The Master Trustee shall not be responsible for losses on investments made in accordance with this paragraph. Investments held in the Liquidity Support Account will be valued as of March 31, June 30, September 30 and December 31 in each Fiscal Year, at the time of any withdrawal from the Liquidity Support Account, at the time of any reduction of the Support Obligation in accordance with the Liquidity Support Agreement, ~~and~~ at such other times as the Master Trustee deems appropriate and at any other time requested by the Liquidity Provider (each a "Valuation Date").

The amount in the Liquidity Support Account at any time will be deemed to be the amount of cash therein plus the value of any investments held therein.

If on any Valuation Date the amount on deposit in the Liquidity Support Account is less than the amount required to be on deposit in the Liquidity Support Account pursuant to the requirements of the Liquidity Support Agreement, ~~less any amounts drawn on the Support Obligation plus any amounts by which the Liquidity Support Account has been replenished from the Entrance Fee Fund or funded by the Liquidity Provider pursuant to the requirements of the Liquidity Support Agreement~~, the Master Trustee ~~is required to~~ shall immediately notify the Liquidity Provider of such deficiency, and the Liquidity Provider ~~is required to~~ shall make up such deficiency by making payment directly to the Master Trustee for deposit in the Liquidity Support Account within 30 days of the receipt of such notice.

If on any Valuation Date the amount on deposit in the Liquidity Support Account is in excess of the amount required to be on deposit in the Liquidity Support Account pursuant to the requirements of the Liquidity Support Agreement, ~~less any amounts drawn on the Support Obligation plus any amounts by which the Liquidity Support Account has been replenished from the Entrance Fee Fund or funded by the Liquidity Provider pursuant to the requirements of the Liquidity Support Agreement~~, the amount of such excess shall be transferred to the Liquidity Provider.

Reductions of the Support Obligation

The aggregate amount available for payment under the Support Obligation will be reduced to each of the amounts described in clauses (a), (b) and (c) of this

paragraph if the conditions described therein have been met. The amount of any excess shall be promptly transferred to the Liquidity Provider.

(a) The Support Obligation shall be reduced to ~~\$5,000~~7,500,000 (plus any amounts required to be deposited in the Liquidity Support Account by the Liquidity Provider due to valuation deficiencies) when the Obligor delivers to the Master Trustee, the Bond Trustee and the Liquidity Provider an Officer's Certificate certifying that:

(i) the Series 2017B Bonds and the Taxable Series 2017C Bonds are no longer Outstanding; ~~and~~

(ii) for the most recent six-month period, the average overall occupancy of the Independent Living Units, the assisted living units and the memory support units included in the Project, in the aggregate, had reached at least 90%;

(iii) no Event of Default has occurred and is continuing under the Master Indenture and no event has occurred or is continuing which, with the passage of time or giving of notice, would cause an Event of Default to occur under the Master Indenture;

(iv) The Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available was not less than the higher of (a) 1.10:1, or (b) the then applicable Historical Debt Service Coverage Ratio required under the Master Indenture; and

(v) the Cash to Indebtedness Ratio or the amount of Days Cash on Hand of the Obligated Group as of the most recent Testing Date was no less than the Liquidity Requirement.

The amount of the reduction in the Support Obligation pursuant to this paragraph (a) shall be applied first, to any amounts in excess of \$5,000,000 on deposit in the Liquidity Support Account and second, to any remaining obligations of the Liquidity Provider to make deposits to the Liquidity Support Account pursuant to the Liquidity Support Agreement.

(b) The Support Obligation will be reduced to zero and the Liquidity Support Agreement will terminate and cease to be of any further force and effect, when the Obligor delivers to the Master Trustee, the Bond Trustee and the Liquidity Provider an Officer's Certificate certifying that ~~either~~:

~~(i) — all of the following conditions are met:~~

~~(a)(i)~~ at least 12 months have elapsed since the last day of the Fiscal Year of the audited financial statements utilized in (a)(iv) above;

~~(b)(ii)~~ the Cash to Indebtedness Ratio or the amount of Days Cash on Hand of the Obligated Group as of the most recent Testing Date was no less than Liquidity Requirement;

~~(c)(iii)~~ the Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are was not less than 1.20:1; and

~~(d)(iv)~~ no Event of Default has occurred and is continuing under the Master Indenture and no event has occurred or is continuing that, with the passage of time or giving of notice, would cause an Event of Default to occur under the Master Indenture; ~~or~~

~~(ii) — all of the following conditions are met:~~

~~(a) — the Series 2017B and the Taxable Series 2017C Bonds are no longer Outstanding;~~

~~(b) — for the most recent six-month period, the average overall occupancy of the Independent Living Units, the assisted living units and the memory support units included in the Project, in the aggregate, had reached at least 90%;~~

~~(c) — no Event of Default has occurred and is continuing under the Master Indenture and no event has occurred or is continuing that, with the passage of time or giving of notice, would cause an Event of Default to occur under the Master Indenture;~~

~~(d) — the Cash to Indebtedness Ratio of the Obligated Group as of the most recent Testing Date was no less than 0.30:1;~~

~~(e) — the Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available was not less than 1.40:1; and~~

~~(f) — the Historical Debt Service Coverage Ratio of the Obligated Group for the last Fiscal Year calculated using Revenues from operations only was not less than 1.00:1.~~

~~(c) — If the Support Obligation has been reduced in accordance with paragraph (a) above and no draw has been made on the Liquidity Support Account as of the date of such reduction, the Master Trustee shall transfer to the Liquidity~~

~~Provider from the Liquidity Support Account the amount of \$1,000,000; provided that the other provisions of the Liquidity Support Agreement above with respect to deposits by the Liquidity Provider shall continue to apply.~~

Draws on the Support Obligation

Draws on Liquidity Support Account. Moneys deposited in the Liquidity Support Account will be paid out from time to time by the Master Trustee as follows:

(a) Costs of the Project. If moneys are on deposit in the Construction Fund under the Bond Indenture and all other available funds (including project contingency funds and immediately available insurance proceeds, if any) are insufficient to pay costs of the Project, an Approved Change in Services or Facilities or additional construction costs and expenses arising from unanticipated events or problems including without limitation changes required pursuant to applicable law or requirements of governmental authorities (and not arising from a Discretionary Change), the Obligor may deliver to the Master Trustee a written request in the form as attached to the Liquidity Support Agreement (a "Written Request") for payment of funds required to pay such costs. Upon receipt of the Written Request, the Master Trustee is required to transfer moneys requested thereby from the Liquidity Support Account to the Bond Trustee for deposit in the Construction Fund under the Bond Indenture.

(b) Operating Expenses. If at any time (i) the Obligor needs money for payment of any expenses that (A) otherwise could be paid from the Working Capital Fund or the Operating Reserve Fund under the Master Indenture; and (B) are either (1) consistent with the level of services described in the form of Residency Agreement as of the date of issuance of the Bonds; (2) the result of an Approved Change in Services or Facilities; (3) required pursuant to applicable law or requirements of governmental authorities; or (4) interest payments on the Series 2017 Notes; and (ii) no moneys are on deposit in the Working Capital Fund and the Operating Reserve Fund held under the Master Indenture (other than amounts on deposit therein previously committed to pay such costs and expenses) or such funds and the Entrance Fee Fund have been closed in accordance with the Master Indenture, then the Obligor will deliver a Written Request to the Master Trustee to transfer moneys from the Liquidity Support Account to the Obligor for the payment of any such expenses to the extent of any funds therein.

Upon receipt of any such Written Request, the Master Trustee shall make such transfer. Notwithstanding the foregoing, no moneys in the

Liquidity Support Account shall be used to pay interest on the Series 2017 Notes until all moneys in the Interest Account of the Bond Fund under the Bond Indenture are exhausted.

(c) Transfer to Operating Reserve Fund. If at any time (i) the amount in the Liquidity Support Account drops to or below \$1,500,000 and the Support Obligation has been fully satisfied such that the Liquidity Provider has no further obligation under the Liquidity Support Agreement to transfer funds to the Liquidity Support Account; and (ii) no moneys are on deposit in the Working Capital Fund and the Operating Reserve Fund under the Master Indenture, then the Master Trustee is required to promptly, without further authorization or direction, transfer all remaining moneys in the Liquidity Support Account to the Operating Reserve Fund under the Master Indenture (unless the Operating Reserve Fund has been closed in accordance with the Master Indenture, in which case no transfer will be made pursuant to this paragraph).

(d) Payment of Principal and Interest on the Bonds. If funds held in the Bond Fund under the Bond Indenture are insufficient to pay the principal of or interest on a related series of Bonds as the same come due, then moneys in the Working Capital Fund, the Operating Reserve Fund and the Liquidity Support Account (in that order) shall be used for that purpose before any moneys in the related account of the Reserve Fund held under the Bond Indenture are used. The Master Trustee shall transfer such funds to the Bond Trustee in accordance with the preceding sentence as needed for that purpose without further instructions from the Obligor.

Draws on Liquidity Support Provider. To the extent that the request for any draw on the Liquidity Support Account made pursuant to the immediately preceding sub-Section entitled "Draws on the Liquidity Support Account" exceeds the amount then on deposit in the Liquidity Support Account, the Master Trustee shall promptly notify the Liquidity Provider of such deficiency and the Liquidity Provider shall, within five Business Days of receipt of such notice, transfer to the Master Trustee for deposit in the Liquidity Support Account the amount of such deficiency as stated in such notice; provided that the obligation of the Liquidity Provider to transfer such amount is limited to the Support Obligation less the amounts previously deposited to the Liquidity Support Account.

Written Requests. Any Written Request pursuant to the Liquidity Support Agreement will be delivered to the Master Trustee, with copies to the Liquidity Provider, the Development Consultant, the Construction Consultant, the Required Information Recipients and the Bond Trustee. The Master Trustee is entitled to conclusively rely on any Written Requests provided to it pursuant to the Liquidity

Support Agreement and will not be liable to any person or entity for having made payments in accordance with any such Written Requests.

Repayment of Draws on the Support Obligation

The Liquidity Provider covenants and agrees pursuant to the Liquidity Support Agreement as follows:

(a) ***Subordination.*** The Obligor's obligation to repay the Liquidity Provider for any draws on the Support Obligation made under the Liquidity Support Agreement (the "Obligor's Repayment Obligation") will constitute Subordinated Indebtedness of the Obligor, as defined in the Master Indenture, will be evidenced by a Subordinate Note issued pursuant to the Master Indenture, and will be subject to the following provisions:

(i) The Obligor's Repayment Obligation shall, to the extent and in the manner hereinafter described, be subordinated and subject in right to the prior payment in full of Superior Indebtedness. The term "Superior Indebtedness" shall mean all Obligations now or hereafter issued and secured under the Master Indenture, as supplemented and modified to the date hereof, or as the same may hereafter from time to time be further supplemented and modified.

(ii) No payment on the Obligor's Repayment Obligation shall be made by the Obligor, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Obligor's Repayment Obligation, unless the requirements of the Master Indenture related to payments on Subordinated Indebtedness to an Affiliate have been met.

(iii) In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by the Liquidity Provider, such payment or distribution will be held in trust for the benefit of, and will be paid over or delivered to the Master Trustee for application to the payment of all Superior Indebtedness remaining unpaid to the extent necessary to pay all such Superior Indebtedness in full in accordance with its terms.

(iv) No present or future owner of Superior Indebtedness shall be prejudiced in his right to enforce subordination of the Obligor's Repayment Obligation by any act or failure to act on the part of any Member or anyone in custody of its assets or property.

(v) The foregoing described subordination provisions are for the benefit of the owners of Superior Indebtedness and may be enforced by the Master Trustee against the Liquidity Provider; provided, however: (A) that the foregoing described provisions are solely for the purpose of defining the relative rights of the owners of Superior Indebtedness on the one hand and the Liquidity Provider on the other hand, and that nothing herein shall impair, as between the Members and the Liquidity Provider, the obligation of the Members, which is unconditional and absolute, to pay to the Liquidity Provider in accordance with the terms of the Liquidity Support Agreement, nor shall anything herein prevent the Liquidity Provider from exercising all remedies otherwise permitted by applicable law or under the Liquidity Support Agreement upon default under the Liquidity Support Agreement, subject to the rights set forth above of the owners of Superior Indebtedness to receive cash, property or securities otherwise payable or deliverable to the Liquidity Provider, (B) that upon any payment or distribution of assets of any Member of the character referred to in the paragraph (iii) of the foregoing described provisions, the Liquidity Provider shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation, reorganization or arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution, delivered to the Liquidity Provider for the purpose of ascertaining the persons entitled to participate in such distribution, the owners of Superior Indebtedness and other indebtedness of such Member, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions, and (C) that the Liquidity Provider shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to the Liquidity Provider, unless and until the Liquidity Provider shall have received written notice thereof from any Member or from one or more owners of Superior Indebtedness, or from the Master Trustee.

See **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Limitation on Payments on Affiliate Management Fees"** herein and **APPENDIX C - "THE MASTER INDENTURE - Payments on Subordinated Indebtedness to an Affiliate"** attached hereto.

(b) *Additional Repayment Conditions.* In addition to the foregoing and in accordance with the Master Indenture, the Obligor will not make payments on the Obligor's Repayment Obligation unless the Obligor delivers an Officer's Certificate to the Master Trustee prior to any payment on the Obligor's Repayment Obligation that contains the certifications required by the Master Indenture.

(c) ***Distributions of Excess Moneys.*** Any distributions of moneys to the Liquidity Provider by the Master Trustee from the Liquidity Support Account pursuant to the terms of the Liquidity Support Agreement (other than distributions of earnings on amounts held in the Liquidity Support Account) shall constitute a repayment of the Obligor's Repayment Obligation.

(d) ***Obligor Repayments.*** The Obligor has agreed in the Liquidity Support Agreement to repay to the Liquidity Provider any amounts drawn on the Liquidity Support Account as soon as permitted to do so by the Master Indenture, with interest thereon as described in the Subordinate Note securing the Obligor's Repayment Obligation.

(e) ***Other Deposits.*** Notwithstanding the foregoing, any deposit in the Liquidity Support Account from the Entrance Fee Fund held by the Master Trustee under the Master Indenture shall constitute a permitted repayment of the Obligor's Repayment Obligation to the extent of such transfer.

~~See "**LIQUIDITY SUPPORT AGREEMENT**" in **APPENDIX C** hereto for more information regarding the Liquidity Support Agreement.~~

(f) ***Financial Reporting.*** Within 45 days after the completion of each fiscal quarter of the Liquidity Provider, the Liquidity Provider shall provide to each Required Information Recipient the amount of its Unrestricted Net Assets as of the last day of such fiscal quarter."

The first paragraph under the subsection titled "Property Tax Exemption" on page 61 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"The Obligor received a property tax exemption from the Dallas Central Appraisal District effective July 1, 2017. At this time, it is not anticipated that the Obligor will acquire additional property for the Project. However, in the event that additional property for the Project is acquired, no assurance can be given that the Dallas Central Appraisal District would agree to a further property tax exemption on such additional property, potentially resulting in additional expenses to the Obligor."

Paragraph (ii)(E) under the subsection titled "Quarterly Reporting" on page 93 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"(E) statistics for marketing and occupancy for all units by level of care and payor mix (categorized by lifecare transfers, private pay, medicare and other appropriate designations) for any health center containing nursing beds for such

fiscal quarter (similar, in the sole opinion of the Obligated Group Representative, to the statistics typically provided in offering documents or disclosure for debt financing of facilities similar to the Facilities of the Obligated Group's Members from time to time)."

Paragraphs (iv)(E) and (F) under the subsection titled "Periodic Reporting" on page 95 of the Preliminary Official Statement shall be deleted in their entirety and replaced with the following paragraphs:

"(E) notification of receipt of each certificate of occupancy and each final building permit;

(F) copies of any certifications provided by the Liquidity Provider required pursuant to the terms of the Liquidity Support Agreement; and

(G) such additional information as the Master Trustee or any Related Bond Trustee may reasonably request concerning any Member in order to enable the Master Trustee or such Related Bond Trustee to determine whether the covenants, terms and provisions of the Master Indenture have been complied with by the Members."

The second sentence of the second paragraph under the section titled "INTRODUCTION, HISTORY AND BACKGROUND" on page A-1 of the Preliminary Official Statement shall be deleted in its entirety.

The first sentence under the section titled "AFFILIATED ENTITIES" on page A-1 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"BRS is a member of a group of affiliated corporations, the parent of which is Buckner International ("BI"), a Texas nonprofit corporation incorporated in 1906, that offers an array of charitable services to children, families and senior adults."

The last paragraph under the subsection titled "Corporate Officers and Key Management" containing the biography of Jordan Lovelady on page A-6 of the Preliminary Official Statement shall be deleted in its entirety.

The second paragraph under the subsection titled "Environmental Study" on page A-13 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"In connection with the issuance of the Series 2017 Bonds, the Obligor obtained an updated Environmental Site Assessment from F&A on March 17, 2017, which report confirms the previous findings."

The subsection titled "Construction Access Agreements" on page A-13 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Construction Access Agreements

The Obligor presented proposed construction access agreements (the "Access Agreements") to the adjacent property owners – Piedmont and Lincoln Park ("Piedmont") to the west and RLJ Lodging Trust / Hyatt House Dallas ("Hyatt") to the south of the Project Site. The Access Agreements request that the Obligor and Construction Manager be granted reasonably necessary access on, across, above or under portions of the adjacent properties to accomplish various aspects of the construction. Work scope includes, but is not limited to, installation of soil retention tie-backs and shoring systems across property lines for purposes of constructing the below-grade parking garage; relocation or installation of utilities connections; and installation of construction traffic measures and fencing on Lincoln Park Drive (a private land parcel). The Access Agreements are necessary in order to carry out those portions of the construction of the Project as currently designed.

The draft Access Agreements and exhibits were presented to Piedmont and Hyatt at the end of March. The Obligor and Construction Manager have successfully negotiated agreements with revised terms that are acceptable to Piedmont and Hyatt. The Obligor currently anticipates obtaining approvals of the Access Agreements from Piedmont and Hyatt prior to pricing the Series 2017 Bonds."

[Remainder of page intentionally left blank]

The subsection titled "Resident Fee Structure" on page A-14 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"There are two types of residency fees required of all Independent Living Residents executing Residency Agreements: an entrance fee ("Entrance Fee") and a monthly service fee ("Monthly Service Fee"). The Entrance Fee is a lump sum, one-time payment based on the type of Independent Living Unit to be occupied by the Independent Living Resident. To reserve an Independent Living Unit, a prospective resident must pay 10% of the Entrance Fee ("Entrance Fee Deposit") prior to or upon execution of the Residency Agreement, and pay the remaining 90% of the Entrance Fee on or before the date of occupancy. In addition to the Entrance Fee, there is a second person entrance fee (the "Second Person Entrance Fee") for each Independent Living Unit that will be double occupied. The Second Person Entrance Fee is \$72,500 for "Plan A," \$50,000 for "Plan B" and \$35,000 for "Plan C," as such plans are described below. The Monthly Service Fee is based on the type of Independent Living Unit selected by the Independent Living Resident. In addition to the first resident's Monthly Service Fee, an additional Monthly Service Fee is payable for a second resident living in an Independent Living Unit.

The Obligor currently offers three residency plan options to Independent Living Residents. All of the plans offer the Life Care Benefit. See the information under the caption **"Life Care Benefit" below** for a detailed description of the Life Care Benefit. "Plan A" is a 90% refundable contract, "Plan B" is a 50% refundable contract and "Plan C" is a 0% refundable or fully amortizing plan. The Monthly Service Fee is identical for Plan A, Plan B and Plan C residency plan options. Under Plan A, 90% of the total Entrance Fee, without interest, is refundable upon termination of the Residency Agreement. Independent Living Residents who are eligible for Charter Resident Benefits (as hereinafter defined) and have selected Plan A, will receive a 95% refund of the total Entrance Fee without interest. Under Plan B, the Entrance Fee will be reduced by 10% upon the day of initial occupancy and the remainder of the refundable portion of the Entrance Fee will be amortized and reduced pro rata for each month of occupancy up to 24 months (approximately 1.6666% per month), but in no event will the Entrance Fee refund amortize below 50% of the Entrance Fee. Under Plan C, the Entrance Fee will be reduced by 10% upon the day of initial occupancy and the remainder of the refundable portion of the Entrance Fee will be amortized and reduced pro rata for each month of occupancy up to 36 months (approximately 2.5% per month), until the Entrance Fee is no longer refundable. Refunds of the appropriate percentage of the Entrance Fee under Plans A, B and C will be paid upon receipt of sufficient proceeds to fully fund the refund obligation from the subsequent sale of a similar Independent Living Unit. Plan A is the base

pricing plan for the Independent Living Units. Plans B and C are adjusted from Plan A pricing to reflect the different refundability/service options. The table on the following page illustrates the planned Monthly Service Fees and Entrance Fees under Plan A (expressed in 2019 dollars, the anticipated year of initial move-ins):"

The table titled "RESIDENT FEE STRUCTURE INDEPENDENT LIVING" on page A-16 of the Preliminary Official Statement shall be deleted and replaced in its entirety with the following table:

RESIDENT FEE STRUCTURE – INDEPENDENT LIVING

| Independent Living Units | Number of Units | Unit Size (Square Feet)⁽¹⁾ | 2019 Monthly Fee⁽²⁾ | 2019 Charter Entrance Fee⁽³⁾⁽⁵⁾ | 2019 Construction Entrance Fee⁽⁴⁾⁽⁵⁾⁽⁶⁾ |
|---------------------------------|------------------------|--|---------------------------------------|---|---|
| Baltic | 7 | 947 | \$3,570 | \$405,500 – \$479,200 | \$436,900 - \$515,900 |
| Indigo | 9 | 1,008 | \$3,830 | \$534,200 – \$558,000 | \$575,900 – \$600,900 |
| Sapphire | 1 | 1,033 | \$4,120 | \$533,800 | \$574,900 |
| Cobalt | 8 | 947/1,196 | \$3,560 | \$474,400 – \$513,800 | \$510,900 - \$553,900 |
| Topaz | 6 | 1,127 | \$4,490 | \$582,400 – \$594,000 | \$626,900 – 639,900 |
| Cyan | 7 | 1,443 | \$5,250 | \$767,600 – \$782,300 | \$837,900 - \$853,900 |
| Emerald | 7 | 1,156 | \$4,470 | \$612,700 – \$624,600 | \$659,900 – 672,900 |
| Jade | 9 | 1,183 | \$4,490 | \$616,500 – \$643,900 | \$663,900 – \$693,900 |
| Viridian | 8 | 1,173 | \$4,560 | \$621,700 – \$633,800 | \$678,900 – \$691,900 |
| Cerise | 8 | 1,264/1,513 | \$5,040 | \$653,200 – \$685,700 | \$712,900 – \$748,900 |
| Amaranth | 7 | 1,270 | \$4,900 | \$662,500 – \$675,400 | \$723,900 - \$737,900 |
| Magenta | 8 | 1,273 | \$4,830 | \$663,500 – \$689,400 | \$724,900 - \$752,900 |
| Fuchsia | 7 | 1,327 | \$5,120 | \$702,800 – \$716,500 | \$767,900 - \$782,900 |
| Violet | 7 | 1,367 | \$5,330 | \$724,500 – \$738,600 | \$790,900 - \$806,900 |
| Concord | 9 | 1,432 | \$5,280 | \$761,400 – \$776,000 | \$831,900 - \$847,900 |
| Eminence | 9 | 1,433 | \$5,550 | \$759,500 – \$774,300 | \$828,900 - \$845,900 |
| Imperial | 9 | 1,433 | \$5,550 | \$759,500 – \$793,300 | \$828,900 - \$865,900 |
| Amethyst | 7 | 1,405 | \$5,600 | \$759,500 – \$774,100 | \$829,900 - \$844,900 |
| Lavender | 1 | 1,592 | \$6,340 | \$854,300 | \$932,900 |
| Wisteria | 9 | 1,593 | \$6,350 | \$861,200 – \$898,800 | \$939,900 - \$981,900 |
| Orchid | 7 | 1,759 | \$6,580 | \$934,800 – \$975,600 | \$1,020,900 - \$1,064,900 |
| Garnet | 7 | 1,433 | \$5,710 | \$763,300 – \$778,100 | \$833,900 - \$849,900 |
| Ruby | 7 | 1,514 | \$5,830 | \$801,900 – \$817,500 | \$875,900 - \$892,900 |
| Crimson | 7 | 1,591 | \$6,100 | \$829,500 – \$866,400 | \$905,900 - \$945,900 |
| Scarlet | 9 | 1,612 | \$6,420 | \$871,500 – \$888,200 | \$951,900 - \$969,900 |
| Amber | 9 | 2,022 | \$7,710 | \$1,074,600 – \$1,121,400 | \$1,226,900 - \$1,280,900 |
| Total/Weighted Average | 189 | 1,324 | \$5,276 | \$732,445 | \$800,412 |

(1) Square footages include balcony or patio where applicable.

(2) Charter Residents (as hereinafter defined) receive two months complimentary Monthly Service Fee. The standard second person Monthly Fee is \$1,300 in 2019; Charter Residents receive a \$100 discount on second persons fee and Construction Residents (as hereinafter defined) receive one month complimentary Monthly Service Fee.

(3) Entrance Fee pricing shown reflects Plan A Charter Resident pricing, with approximately 11% discount from standard pricing. Charter Residents who have selected Plan A will receive a 95% refund of the total Entrance Fee.

(4) Entrance Fee pricing shown reflects Plan A Construction Resident pricing, with approximately 2% discount from standard pricing. Construction Residents who have selected Plan A will receive a 95% refund of the total Entrance Fee.

(5) Entrance Fees for Independent Living Resident choosing Plan B or Plan C receive a discount of approximately 20% and 32% from pricing shown, respectively.

(6) Construction Residents and residents under standard pricing will be subject to an additional second person entrance fee of \$72,500 for Plan A, \$50,000 for Plan B and \$35,000 for Plan C.

The first two paragraphs under the subsection titled "Charter Resident Benefit" on page A-17 of the Preliminary Official Statement shall be amended and restated in their entirety to read as follows:

"To encourage early commitments to residency at the Community, the Obligor offered early depositors ("Charter Residents") a package of benefits ("Charter Resident Benefits") for the Community. Charter Resident Benefits include, but are not limited to, the following: (i) an approximate 11% discount on the Entrance Fee from standard pricing; after occupancy, 95% refundability of the Entrance Fee upon termination of the Residency Agreement (Plan A only) and receipt of sufficient proceeds to fully fund the refund obligation from the next re-sale and occupancy of a similar type Independent Living Unit; (ii) lifetime discounted second person's Monthly Service Fee of \$100; (iii) 0.25% higher interest earnings on the Entrance Fee Deposit than what is actually earned on the escrow account; (vi) a moving allowance of \$2,500; (v) opportunity to personalize the selected Independent Living Unit with standard finishes or with upgrades, as approved by management and at the cost of the Charter Resident; (vi) two months complimentary Monthly Service Fee; (vii) guaranteed occupancy in the Community, regardless of change in health status; and (viii) waiver of the Second Person Entrance Fee.

Subsequent to concluding the Charter Resident Benefits program in December 2015, and continuing through the start of construction of the Community, the Obligor began offering depositors ("Pre-construction Residents") a reduced package of benefits ("Pre-construction Resident Benefits") substantially similar as the Charter Resident Benefits. Specifically, Pre-construction Resident Benefits include, but are not limited to, the following: (i) an approximate 5% discount on the Entrance Fee from standard pricing; after occupancy, 95% refundability of the Entrance Fee upon termination of the Residency Agreement (Plan A only) and receipt of sufficient proceeds to fully fund the refund obligation from the next re-sale and occupancy of a similar type Independent Living Unit; (ii) lifetime discounted second person's Monthly Service Fee of \$100; (iii) 0.25% higher interest earnings on the Entrance Fee Deposit than what is actually earned on the escrow account; (iv) opportunity to personalize the selected Independent Living Unit with standard finishes or with upgrades, as approved by management and at the cost of the Pre-construction Resident; (v) guaranteed occupancy in the Community, regardless of change in health status; and (vi) waiver of the Second Person Entrance Fee. In addition, the Obligor offered supplementary benefits of two months complimentary Monthly Service Fee and moving allowance of \$2,500 to Pre-construction Residents on a case-by-case basis."

The second paragraph under the subsection titled "Greenbrier Development Consulting Agreement" on page A-24 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"The Development Consulting Agreement calls for the payment of a (i) Base Development Consulting Fee ("Base Development Consulting Fee") in an amount based on the percentage of actual project costs expended, which is currently estimated to be \$7,359,850, which estimated amount is subject to adjustment based on actual project costs expended, (ii) Marketing Fee ("Marketing Fee") in an amount based on the percentage of actual project costs expended, which is currently estimated to be \$2,230,257, which is also subject to adjustment based on actual project costs expended, and (iii) Incentive Occupancy Fee ("Incentive Occupancy Fee") in an amount up to \$800,000 which may be payable based on the specified occupancy level being achieved within certain time frames set forth in the Development Consulting Agreement. The Development Consulting Agreement also calls for the reimbursement of certain expenses incurred by the Development Consultant in connection with the rendering of planning and development services for the Community."

The table related to liquidated damages under the subsection titled "Construction Schedule and Liquidated Damages" on page A-28 of the Preliminary Official Statement shall be deleted in its entirety and replaced with the following table:

| Construction Component | % of Project | Liquidated Damages Per Day of Delay | | |
|-------------------------------------|---------------------|--|-------------------|--------------------|
| | | 31-60 Days | 61-90 Days | >90 Days |
| <i>% of daily debt service</i> | | <i>33%</i> | <i>67%</i> | <i>100%</i> |
| Independent Living Units - Level 4 | 4.0% | \$622 | \$1,250 | \$1,865 |
| Independent Living Units - Level 5 | 4.8% | \$746 | \$1,500 | \$2,238 |
| Independent Living Units - Level 6 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 7 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 8 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 9 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 10 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 11 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 12 | 9.1% | \$1,430 | \$2,874 | \$4,290 |
| Total - Independent Living | 75.0% | \$11,750 | \$23,618 | \$35,250 |
| Assisted Living | 7.0% | \$1,094 | \$2,200 | \$3,283 |
| Memory Support | 4.8% | \$749 | \$1,505 | \$2,246 |
| Skilled Nursing | 13.2% | \$2,074 | \$4,168 | \$6,221 |
| Total - Other Areas | 25.0% | \$3,917 | \$7,873 | \$11,750 |
| Grand Total | 100% | \$15,667 | \$31,490 | \$47,000 |

The subsection titled "*Combination Apartments*" on page B-25 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Combination Apartments

According to Management, two Depositors have each reserved two Independent Living Units (a "Combination Apartment"). The Combination Apartments were created by combining a Jade one-bedroom and Magenta two-bedroom Independent Living Unit and a Concord two-bedroom and Amber three-bedroom Independent Living Unit. Upon vacancy, the Combination Apartments could be separated and remarketed as their original floorplans. The Entrance Fee for the Combination Apartments is equal to the combination of the Entrance Fees for each unit. The Monthly Fee is equal to the combination of the Monthly Fee for each unit, less a ten percent discount."

The following definition shall be added after the definition of "Management Services Agreement" under the section titled "DEFINITION OF CERTAIN TERMS" on page C-1 of the Preliminary Official Statement:

"Marketing Consultant" means Greenbrier Development, LLC or any entity succeeding to its marketing responsibilities in regard to the Project.

The ninth and tenth paragraphs under the subsection titled "Rates and Charges" beginning on page C-24 of the Preliminary Official Statement shall be amended and restated in their entirety to read as follows:

"Notwithstanding any other provisions of the Master Indenture, in the event that any Member of the Obligated Group incurs any Additional Indebtedness for any Capital Addition, the Debt Service Requirements on such Additional Indebtedness and the Revenues and Expenses relating to such Capital Addition shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the purposes of complying with the Master Indenture until the first full Fiscal Year following the later of (i) the estimated completion of such Capital Addition being paid for with the proceeds of such Additional Indebtedness provided that such completion occurs no later than six months following the completion date for such Capital Addition set forth in the Consultant's report described in (A) below, or (ii) the first Fiscal Year in which Stable Occupancy is achieved in the case of construction, renovation or replacement of senior living facilities or nursing facilities financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected in the report of the Consultant referred to in paragraph (A) below to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness, or (iii) the end of the fourth full Fiscal Year after

the incurrence of such Additional Indebtedness, if the following conditions are met:

(A) there is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for the first full Fiscal Year following the later of (1) the estimated completion of such Capital Addition, or (2) the first Fiscal Year in which Stable Occupancy is achieved in the case of construction, renovation or replacement of senior living facilities or nursing facilities being financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness, will be not less than 1.25:1 after giving effect to the incurrence of such Additional Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Additional Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this subparagraph (A); and"

The subsection titled "Changes in Pricing Structure" on page C-36 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Changes in Pricing Structure. (a) The Obligated Group covenants that prior to taking any action to decrease Initial Entrance Fees, monthly service fees or per diem charges with respect to the Facilities that would, in and of itself, decrease the amount of Initial Entrance Fees (as shown in the Feasibility Study) by more than 10% or the amount of Total Revenues of the Obligor as shown in the Forecasted Statements of Operations and Changes in Net Deficit in the Feasibility Study by more than 10% for the current or any future Fiscal Year, the Obligated Group Representative shall engage a Consultant in accordance with the provisions of the Master Indenture to prepare a report that establishes that such proposed decrease will not materially adversely impact the redemption of the Temporary Bonds with the Initial Entrance Fees. For purposes of this section, a decrease in Initial Entrance Fees, monthly service fees or per diem charges shall be deemed to materially adversely impact the redemption of the Temporary Bonds with Initial Entrance Fees if the forecasted Initial Entrance Fees, taking into account the

proposed reduction, are insufficient to redeem the Temporary Bonds by August 1, 2021.

(b) The Obligated Group will no longer be subject to the requirements of paragraph (a) above once all of the Temporary Bonds have been fully redeemed or otherwise paid in full."

The subsection titled "Approval of Consultants" on page C-37 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Approval of Consultants. (a) If at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture, such Consultant shall be engaged in the manner set forth below.

(b) Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee and the Required Information Recipients of such selection. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Holders of all Obligations Outstanding under the Master Indenture of such selection. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the Holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Holder submits an objection to the selected 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 the Holders. 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 66.6% or more in aggregate principal amount of the Holders of the Outstanding Obligations have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Consultant within three Business Days, (which date shall be the date of actual engagement of the applicable Consultant for purposes of certain sections specified in the Master Indenture). If more than 33.4% in aggregate principal amount of the Holders of the Obligations Outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with these procedures.

(c) When the Master Trustee notifies the Holders of Obligations of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subparagraph (b) above to the

owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related Bonds have consented to the selection of the Consultant or have not responded to the request for consent, the Related Bond Trustee shall notify the Master Trustee that it consents to the selection of the Consultant. If more than 33.4% in aggregate principal amount of the owners of the Related Bonds outstanding have objected to the Consultant selected, the Related Bond Trustee shall notify the Master Trustee that it objects to the Consultant selected.

The 30-day notice period described in (b) above may be extended by no more than 10 additional days by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 30 days to respond to the notice given by the Related Bond Trustee. By acceptance of an Obligation securing any Related Bonds, the Related Bond Trustee agrees to comply with these provisions."

The subsection titled "Payments or Transfers of Cash to Affiliates" on page C-38 of the Preliminary Official Statement shall be amended and restated in its entirety to read as follows:

"Payments or Transfers of Cash to Affiliates. (a) The Obligated Group may not make any payments or other transfer of cash to an Affiliate unless (i) the Temporary Bonds have been paid in full; (ii) the Historical Debt Service Coverage Ratio of the Obligated Group for the two preceding Fiscal Years was not less than 1.35:1; (iii) there is no deficiency in any Related Bonds Debt Service Reserve Fund; (iv) the Days Cash on Hand for each of the two preceding Testing Dates was not less than 250; (v) the Independent Living Units that are part of the Facilities have had an average occupancy for the preceding twelve months of not less than 90%; (vi) the Independent Living Units, the assisted living units, the memory support units and the nursing beds that are part of the Facilities collectively have had an average occupancy for the preceding six months of not less than 85%; (vii) no Deferred Affiliate Management Fees are then outstanding, (viii) no Subordinated Indebtedness to any Affiliate is then outstanding, and (ix) no Event of Default has occurred and is continuing hereunder. If the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group can transfer to an Affiliate 50% of the amount of Cash and Investments that are in excess of 300 Days Cash on Hand. In addition, if the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group can transfer to an Affiliate 100% of the amount of Cash and Investments that are in excess of 420 Days Cash on Hand.

(b) Payments of Affiliate Development Fees, Current Affiliate Management Fees and Deferred Affiliate Management Fees are not required to comply with the provisions of paragraph (a) above."

The following new subsections shall be added after the subsection titled " Payments or Transfers of Cash to Affiliates " on page C-38 of the Preliminary Official Statement and shall read as follows:

"Actuarial Study. Within 150 days after the Fiscal Year following the second full Fiscal Year of operations, and at least once every three Fiscal Years thereafter, the Obligated Group Representative, at the Obligated Group's expense, shall provide the actuarial study described below to each Member and each Required Information Recipient. The actuarial study shall be prepared by a Consultant and include (i) the amount, if any, of the Obligated Group's obligations to provide services under the Residency Agreements anticipated to be in excess of those that could be satisfied using the rates, fees and charges for the Facilities then in effect, and (ii) an opinion on whether the Obligated Group is able to meet its obligations as defined by the Actuarial Standard of Practice No. 3 or any successor to such Standard issued by the Actuarial Standards Board. If the opinion of the Consultant does not state that the Obligated Group will be able to meet its obligations, the Obligated Group Representative will, within 30 days of receipt of such opinion, prepare a report of changes to the rates, fees and charges of the Members and the Obligated Group's methods of operation in order to enable the Obligated Group to satisfy such obligations. Each Member shall make such changes applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law.

Marketing Consultant. The Obligated Group is required to engage a Marketing Consultant (which may be the Obligated Group) at all times until the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs. Except as provided below, the Members of the Obligated Group shall be required to retain a new Marketing Consultant, if the Obligated Group fails to meet the required Marketing Requirements or Occupancy Requirements, each as described in the Master Indenture, for four consecutive quarters or Occupancy Quarters, as applicable.

Whenever the Obligated Group is required to retain a new Marketing Consultant, as described above, the Obligated Group Representative shall immediately retain a Consultant (who shall not be the Marketing Consultant) who shall, within 30 days of actual engagement of a new Marketing Consultant, submit to the Master Trustee a written report that: (a) sets forth in reasonable detail the reasons for the deficiency, and (b) lists two or more Persons experienced in the

marketing of facilities of a type and size similar to the Project. If the Obligated Group is required to retain a new Marketing Consultant under the circumstances described above, the Obligated Group shall retain as Marketing Consultant a Person from the list submitted by the Consultant. If the Obligated Group is required to terminate an existing Marketing Consultant's contract, any other provisions in the Marketing Consultant's contract that are unrelated to the marketing of the Project shall remain in full force and effect without any amendment or other modification thereto.

In the event that a new Marketing Consultant is appointed by the Obligated Group Representative pursuant to the requirements of the Master Indenture, the provisions of the Master Indenture shall not be applied to require appointment of another new Marketing Consultant until the new Marketing Consultant appointed pursuant to the requirements set forth herein has been engaged for at least 12 months.

Notwithstanding the foregoing, the Obligated Group shall not be required to retain a new Marketing Consultant if:

- (a) the report referenced above contains sufficient detail to support the conclusions made therein and concluding (i) that the failure of the Obligated Group to comply with the Marketing Requirements or the Occupancy Requirements is primarily due to factors outside the control of the present Marketing Consultant, or (ii) that retaining a new Marketing Consultant is not likely to materially improve the Obligated Group's ability to comply with the Marketing Requirements or the Occupancy Requirements; and
- (b) the Obligated Group provides an Officer's Certificate stating that the performance by the Marketing Consultant is satisfactory and setting forth the reasons supporting retention of the present Marketing Consultant."

This Supplement addresses only the afore-described revisions to the Preliminary Official Statement as of its date. No attempt has been made to update any other information contained in the Preliminary Official Statement.

Date: May 12, 2017

NEW ISSUE
BOOK ENTRY ONLY

Rating: Not Rated
(See "NO RATING" herein)

In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, assuming compliance with certain covenants by the Obligor and the Issuer (each as defined below), under existing statutes, regulations, published rulings and judicial decisions existing on the date hereof, (i) interest on the Series 2017A Bonds and the Series 2017B Bonds is, except as set forth under "TAX MATTERS" herein, excludable from gross income for federal income taxation purposes, and (ii) the Series 2017A Bonds and the Series 2017B Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). See the caption "TAX MATTERS" herein for a description of Bond Counsel's opinion, including a discussion of the alternative minimum tax consequences.

Interest on the Taxable Series 2017C Bonds is not excludable from gross income for federal income tax purposes.

\$238,380,000*

TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION

Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project)



consisting of

\$152,235,000*
Series 2017A
Fixed Rate Bonds

\$22,250,000*
Series 2017B-1
Tax Exempt
Mandatory
Paydown Securities
(TEMPS-80SM)

\$22,250,000*
Series 2017B-2
Tax Exempt
Mandatory
Paydown Securities
(TEMPS-65SM)

\$38,250,000*
Series 2017B-3
Tax Exempt
Mandatory
Paydown Securities
(TEMPS-50SM)

\$3,395,000*
Taxable
Series 2017C
Taxable Mandatory
Paydown Securities
(Taxable MPSSM)

Dates, Interest Rates, Prices or Yields, and Maturities
Are Shown on the Inside of the Front Cover

The Tarrant County Cultural Education Facilities Finance Corporation (the "Issuer") is issuing its Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project) consisting of the Series 2017A Bonds (the "Series 2017A Bonds"), the Series 2017B-1 Bonds (Tax Exempt Mandatory Paydown Securities (TEMPS-80SM)) (the "Series 2017B-1 Bonds"), the Series 2017B-2 Bonds (Tax Exempt Mandatory Paydown Securities (TEMPS-65SM)) (the "Series 2017B-2 Bonds"), the Series 2017B-3 Bonds (Tax Exempt Mandatory Paydown Securities (TEMPS-50SM)) (the "Series 2017B-3 Bonds" and together with the Series 2017B-1 Bonds and the Series 2017B-2 Bonds, the "Series 2017B Bonds") and the Taxable Series 2017C Bonds (Taxable Mandatory Paydown Securities (Taxable MPSSM)) (the "Taxable Series 2017C Bonds," which together with the Series 2017A Bonds and the Series 2017B Bonds are collectively referred to as the "Bonds" or "Series 2017 Bonds") pursuant to the Cultural Education Facilities Finance Corporation Act, Article 1528m, V.A.T.C.S., as amended (the "Act") under an Indenture of Trust, dated as of May 1, 2017 (the "Bond Indenture"), between the Issuer and UMB Bank, N.A., as bond trustee (the "Bond Trustee"). The proceeds of the Bonds will be loaned to Buckner Senior Living, Inc., a Texas nonprofit corporation (the "Obligor") pursuant to a Loan Agreement, dated as of May 1, 2017 (the "Loan Agreement"), between the Issuer and the Obligor. The Obligor will use the proceeds of the Bonds, together with certain other moneys, to: (i) finance and reimburse the costs of developing, marketing, acquiring, constructing and equipping a senior living community anticipated to consist of approximately 189 independent living units, 38 assisted living units, 26 memory support units and 72 skilled nursing beds along with associated common areas (collectively, the "Project"), to be known as Ventana (the "Community") that will be located on a tract of land consisting of approximately 3.08 acres (the "Project Site") situated in Dallas, Texas; (ii) fund, for a period of approximately 31 months, interest on the Bonds (consisting of approximately 25 months for the construction period and 6 months for the anticipated fill-up period for the Project); (iii) fund the separate accounts of the debt service reserve fund to secure the Bonds; and (iv) pay the cost of issuing the Bonds. See "THE COMMUNITY" herein for additional information relating to the Project.

Except as described in this Official Statement, the Bonds and the interest payable thereon are limited obligations of the Issuer and are payable solely from and secured exclusively by the funds pledged thereto under the Bond Indenture, the payments to be made by the Obligor pursuant to the Loan Agreement, the Series 2017 Notes (as defined herein) issued by the Obligor under a Master Trust Indenture, Deed of Trust and Security Agreement, dated as of May 1, 2017, as supplemented by Supplemental Indenture Number 1, dated as of May 1, 2017 (as supplemented, the "Master Indenture"), each between the Obligor and UMB Bank, N.A., as master trustee (the "Master Trustee"). The sources of payment of, and security for, the Bonds are more fully described in this Official Statement.

The Bonds are subject to acceleration of maturity, optional and mandatory redemption, extraordinary redemption and purchase in lieu of redemption under the circumstances described herein.

The Bonds when issued will be registered only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. Principal of and interest on the Bonds will be paid by the Bond Trustee to DTC, which in turn will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See **APPENDIX E - "BOOK-ENTRY ONLY SYSTEM."**

An investment in the Bonds involves a certain degree of risk related to, among other things, the nature of the Obligor's business, the regulatory environment, and the provisions of the principal documents. A prospective Bondholder is advised to read "SECURITY FOR THE BONDS" and "RISK FACTORS" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Bonds.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING TARRANT COUNTY, TEXAS, WILL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Issuer and accepted by the Underwriter subject to the approving opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, and the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Issuer by its counsel, Brown Pruitt Wallbgsanss Ferrill & Dean, P.C., Fort Worth, Texas; for the Obligor by its counsel, Bracewell LLP, Dallas, Texas; and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. FirstSouthwest, a Division of Hilltop Securities Inc., Dallas, Texas, is acting as Financial Advisor to the Obligor. It is expected that the Bonds will be available for delivery through the facilities of DTC, against payment therefor, on or about May ___, 2017.



Official Statement dated _____, 2017

* Preliminary, subject to change.

SM TEMPS-80, TEMPS-65, TEMPS-50 and Taxable MPS are each a service mark of B.C. Ziegler and Company.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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, qualification or filing under the securities laws of any such jurisdiction.

THE SERIES 2017A BONDS

Interest Accrues from Date of Delivery

Due: November 15, as shown below

The Series 2017A Bonds will be issuable in fully registered form without coupons in minimum denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Series 2017A Bonds will be payable on each May 15 and November 15 of each year, commencing on November 15, 2017. The Series 2017A Bonds will be subject to redemption prior to maturity, as more fully described herein.

\$ _____ Term Bonds

\$ _____, _____% Series 2017A Term Bonds due November 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

\$ _____, _____% Series 2017A Term Bonds due November 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

\$ _____, _____% Series 2017A Term Bonds due November 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

\$ _____, _____% Series 2017A Term Bonds due November 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

THE SERIES 2017B-1 BONDS

Interest Accrues from Date of Delivery

Due: _____ 15, 20____

The Series 2017B-1 Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2017B-1 Bonds will be payable on May 15 and November 15 of each year, commencing on November 15, 2017. The Series 2017B-1 Bonds will be subject to redemption prior to maturity, as more fully described herein.

\$ _____, _____% Series 2017B-1 Term Bonds due _____ 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

THE SERIES 2017B-2 BONDS

Interest Accrues from Date of Delivery

Due: _____ 15, 20____

The Series 2017B-2 Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2017B-2 Bonds will be payable on May 15 and November 15 of each year, commencing on November 15, 2017. The Series 2017B-2 Bonds will be subject to redemption prior to maturity, as more fully described herein.

\$ _____, _____% Series 2017B-2 Term Bonds due _____ 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

THE SERIES 2017B-3 BONDS

Interest Accrues from Date of Delivery

Due: _____ 15, 20____

The Series 2017B-3 Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2017B-3 Bonds will be payable on May 15 and November 15 of each year, commencing on November 15, 2017. The Series 2017B-3 Bonds will be subject to redemption prior to maturity, as more fully described herein.

\$ _____, _____% Series 2017B-3 Term Bonds due _____ 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

THE TAXABLE SERIES 2017C BONDS

Interest Accrues from Date of Delivery

Due: _____ 15, 20____

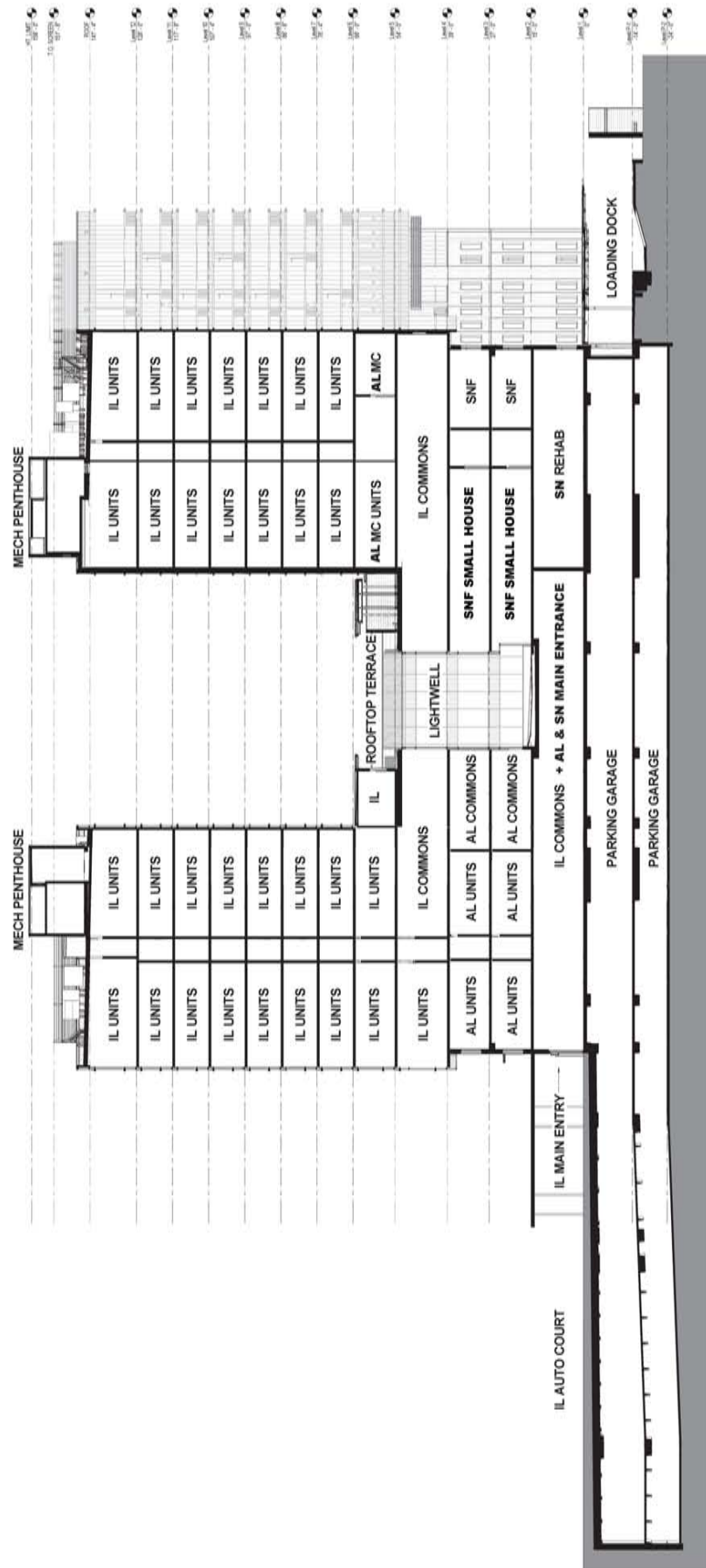
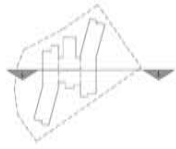
The Taxable Series 2017C Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 and any integral multiple thereof. Interest on the Taxable Series 2017C Bonds will be payable on May 15 and November 15 commencing November 15, 2017. The Taxable Series 2017C Bonds will be subject to redemption prior to maturity, as more fully described herein.

\$ _____, _____% Taxable Series 2017C Term Bonds due _____ 15, 20____;

Priced at _____; Yield _____%; CUSIP No. _____[†]

^c Priced to first optional redemption date of _____ 15, 20____.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence, on behalf of American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP data is provided for convenience of reference only. The Issuer, the Obligor and the Underwriter take no responsibility for the accuracy of such numbers.



Sideview of Project Showing Levels of Care



Rendering of Exterior and Main Entrance



Rendering of Lobby



Rendering of Independent Living Unit



Rendering of Cafe Bistro



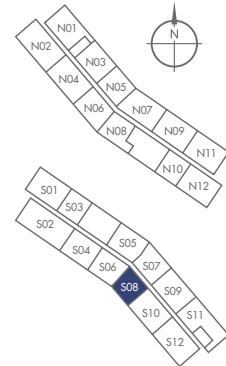
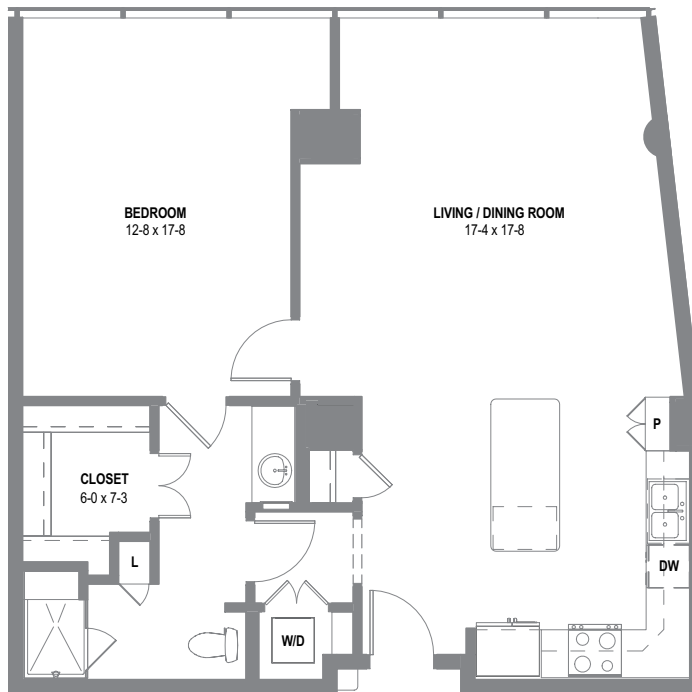
Rendering of Patio Commons



Rendering of Pool

INDIGO

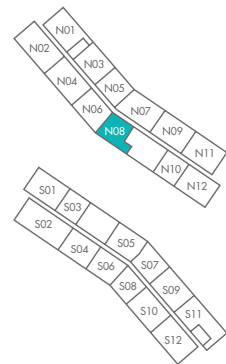
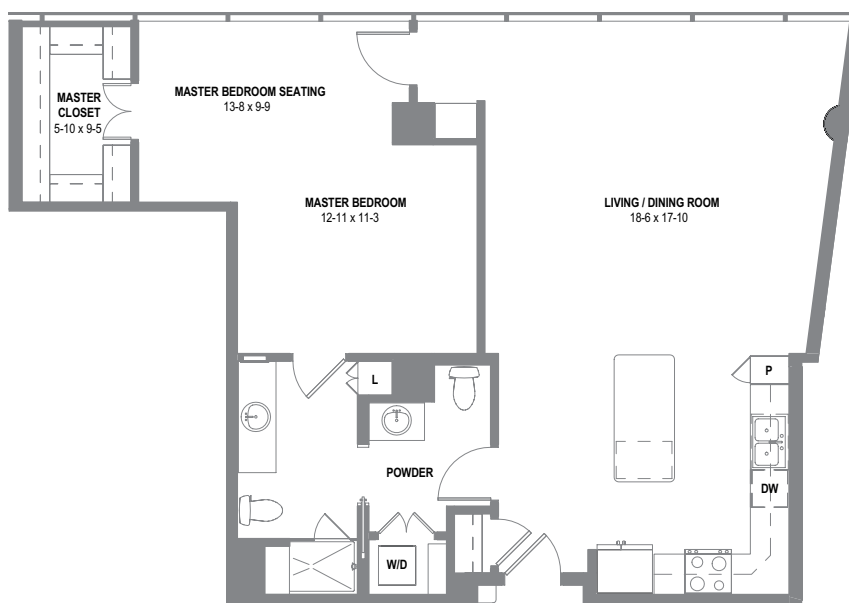
1 Bedroom, 1 Bath | 1,008 Sq. Ft.



VENTANA
BY BUCKNER

TOPAZ

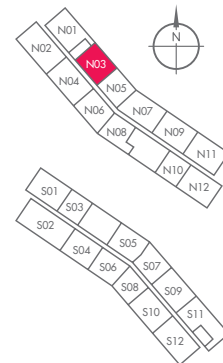
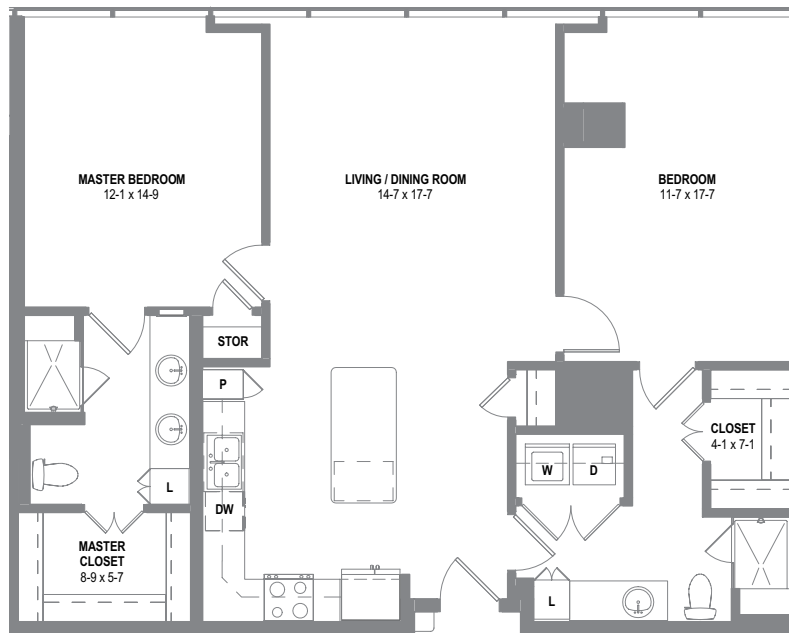
1 Bedroom, 1.5 Bath | 1,127 Sq. Ft.



VENTANA
BY BUCKNER

AMARANTH

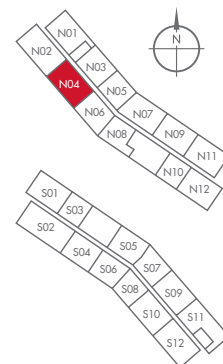
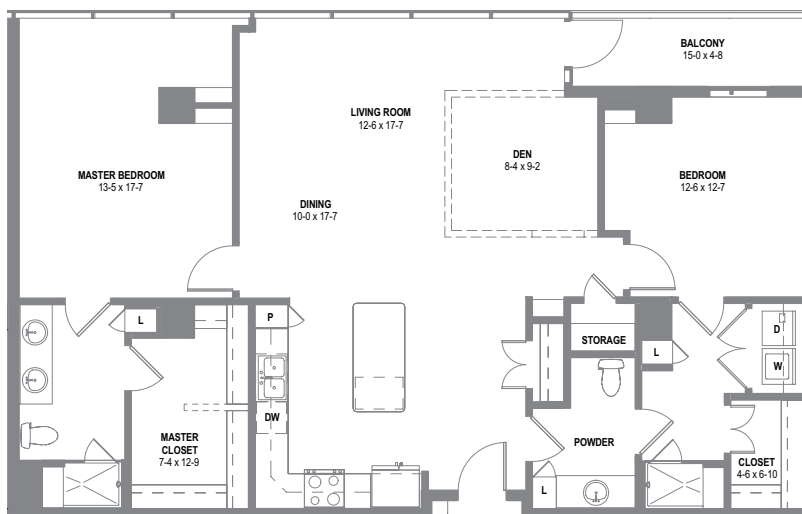
2 Bedroom, 2 Bath | 1,270 Sq. Ft. | Level 7 Only



VENTANA
BY BUCKNER.

CRIMSON B

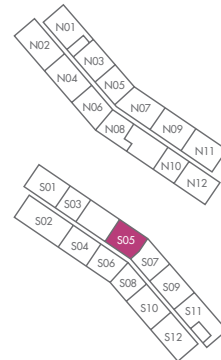
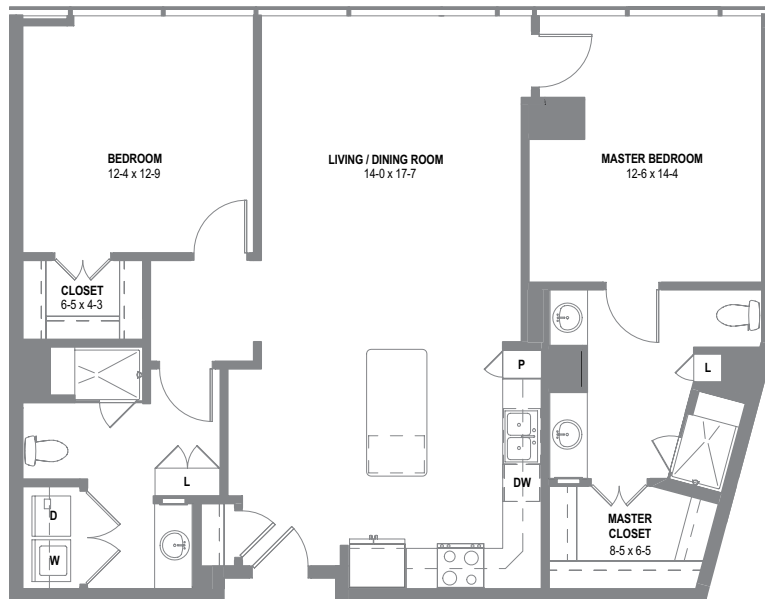
2 Bedroom, 2 Bath with Balcony (Den Option)
1,520 Sq. Ft.



VENTANA
BY BUCKNER.

CERISE

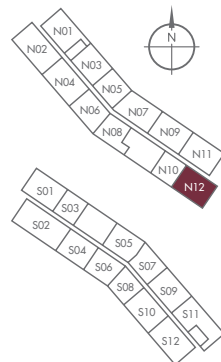
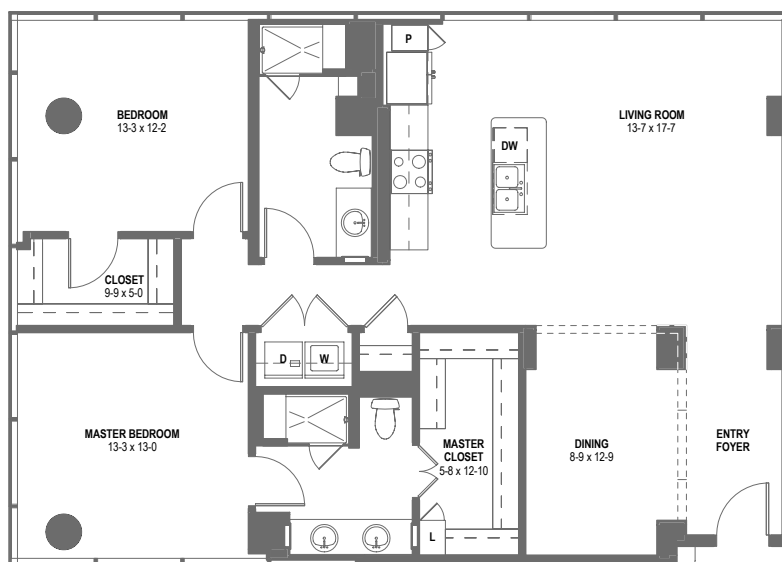
2 Bedroom, 2 Bath | 1,264 Sq. Ft.



VENTANA
BY BUCKNER.

GARNET

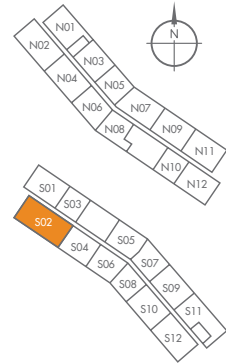
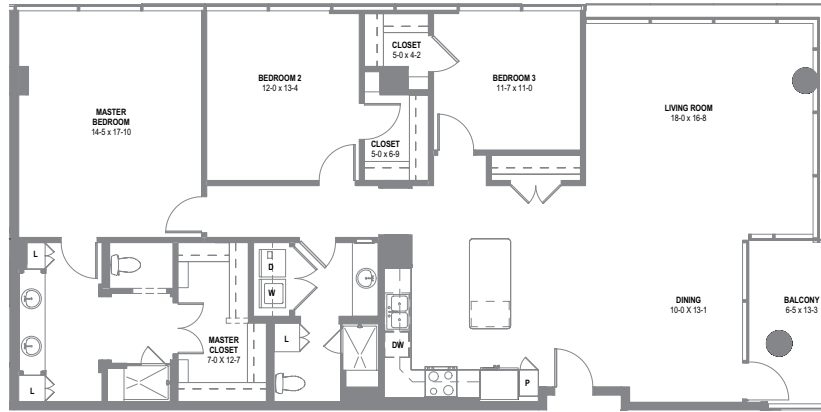
2 Bedroom, 2 Bath (Den Option) | 1,433 Sq. Ft.



VENTANA
BY BUCKNER.

AMBER B

3 Bedroom, 2 Bath with Balcony | 1,934 Sq. Ft.



VENTANA
BY BUCKNER

REGARDING USE OF THIS OFFICIAL STATEMENT

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 Obligor, the Issuer, or the Underwriter. The information set forth herein concerning the Obligor has been furnished by the Obligor 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 Issuer 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 Obligor since the date hereof.

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 Obligor, the Issuer, DTC and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE, AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES

CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, NOR ANY OTHER POLITICAL SUBDIVISION PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information under the captions "**SUMMARY STATEMENT - Forecasted Financial Information of the Obligor**" and in **APPENDIX A** and **APPENDIX B** to this Official Statement. Additionally, the Community (as defined herein) is in a development stage. As a result, the description of the Community, and the services expected to be offered by the Community that are described herein, in **APPENDIX A** and **APPENDIX B** are based on existing plans and existing contracts. Such plans and contracts are subject to modification and, as a result, upon completion of construction, the actual Community could differ materially from the description of the Community and the services described therein. The description of the Community and the services to be offered is a description of what is currently planned to be developed in accordance with the existing plans and contracts, and should be construed as forward looking statements.

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 OBLIGOR DOES NOT PLAN TO

ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITE OR WWW.EMMA.MSRB.ORG.

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SUMMARY STATEMENT

The information set forth in this Summary Statement is subject in all respects to more complete information set forth elsewhere in this Official Statement, which should be read in its entirety.

The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise to use it without this entire Official Statement. For the definitions of certain words and terms used in this Summary Statement, see **"DEFINITIONS OF CERTAIN TERMS"** in **APPENDIX C** hereto.

The Issuer and the Bonds

The Tarrant County Cultural Education Facilities Finance Corporation (the "Issuer"), a nonstock, nonprofit cultural education facilities finance corporation organized and existing under the laws of the State of Texas, created and acting on behalf of Tarrant County, Texas (the "Sponsoring Entity") pursuant to the Cultural Education Facilities Finance Corporation Act, Article 1528m, V.A.T.C.S, as amended (the "Act"), is authorized by the Act to sell and deliver its bonds for the purpose of, among other things, financing and refinancing of the acquisition, construction or installation of health facilities. The Issuer proposes to issue the Bonds pursuant to the Act and an Indenture of Trust, dated as of May 1, 2017 (the "Bond Indenture"), between the Issuer and UMB Bank, N.A., as bond trustee (the "Bond Trustee").

The proceeds of the Bonds will be loaned to Buckner Senior Living, Inc., a Texas nonprofit corporation (the "Obligor" or the "Obligated Group Representative"), pursuant to a Loan Agreement, dated as of May 1, 2017 (the "Loan Agreement"), between the Issuer and the Obligor and will be used, together with other available moneys described herein, to: (i) finance and reimburse the costs of developing, marketing, acquiring, constructing and equipping a senior living community anticipated to consist of approximately 189 independent living units, 38 assisted living units, 26 memory support units and 72 skilled nursing beds along with associated common areas (collectively, the "Project"), to be known as Ventana (the "Community") that will be located on a tract of land consisting of approximately 3.08 acres (the "Project Site") situated in Dallas, Texas; (ii) fund, for a period of approximately 31 months, interest on the Bonds (consisting of approximately 25 months for the construction period and 6 months for the anticipated fill-up period for the Project); (iii) fund the separate accounts of the debt service reserve fund to secure the Bonds; and (iv) pay the cost of issuing the Bonds. See **"THE COMMUNITY"** herein for additional information relating to the Project. Also see **"THE OBLIGOR AND AFFILIATED ENTITIES"** and **"ESTIMATED SOURCES AND USES OF FUNDS"** herein.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING THE SPONSORING ENTITY, WILL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Obligor and Affiliated Entities

General. The Obligor received a determination letter, dated November 14, 2014, from the Internal Revenue Service (the "IRS") that it is exempt from federal income taxation as provided in Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of its status as an organization described in Section 501(c)(3) of the Code. The Obligor is the sole member of the Obligated Group and is the Obligated Group Representative.

The Obligor was formed in December of 2012 by its sole member, Buckner Retirement Services, Inc. ("BRS"), to develop and operate the Community, and to expand BRS' mission of providing quality housing, health care services and other programs to senior citizens. BRS, a Texas nonprofit corporation, is exempt from federal income taxation under Section 501(a) of the Code by virtue of being a charitable organization described in Section 501(c)(3) of the Code, and is a member of a group of affiliated corporations, the parent of which is Buckner International ("BI"). The Obligor and the hereinafter described Affiliated Entities are separate corporate entities, and, except as set forth in the Liquidity Support Agreement (defined herein), no guarantees or other conditions of support exist between or among the Obligor and the Affiliated Entities. **The Affiliated Entities are not a part of the Obligated Group and are not obligated to pay debt service on the hereinafter described Series 2017 Notes or the Bonds.**

Buckner International. BI, a Texas nonprofit organization originally established in 1879 under the name Buckner Orphan's Home, offers an array of charitable services to children, families and senior adults. BI is exempt from federal income taxation under Section 501(a) of the Code by virtue of being a charitable organization described in Section 501(c)(3) of the Code and is the sole member of BRS. Until the formation of BRS in 1994, BI delivered housing and services to the elderly for over 40 years through its retirement services division. In 1994, BI formed or activated four affiliated Texas nonprofit corporations, including BRS, to legally separate the operations of several divisions of BI and to permit better accounting for the different services offered by those divisions. In addition to BRS, the other activated affiliates were Buckner Foundation,

Inc. (the "Foundation"), Buckner Children and Family Services, Inc. ("Family Services") and Buckner Adoption and Maternity Services, Inc. ("Maternity Services").

Buckner Retirement Services. BRS currently owns four retirement communities and provides management services to five retirement communities throughout the state of Texas (all of which are affiliates of BRS) which currently include a total of 723 independent living units, 138 assisted living units, 135 memory support units and 326 skilled nursing beds. BRS will also provide management services to the Community upon its completion. In addition to the Obligor, BRS is also the sole member of Baptist Memorials Ministries ("Baptist Memorials" and together with BI, BRS, the Foundation, Family Services and Maternity Services, collectively referred to as the "Affiliated Entities"), a Texas nonprofit corporation, which currently owns and operates an existing senior living facility in Texas.

The Foundation. The Foundation is organized to support and benefit the activities and purposes of BI and its affiliates, including making cash distributions to BI and its affiliates as required. The Foundation is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code. Pursuant to the hereinafter described Liquidity Support Agreement, the Foundation has agreed to provide liquidity support to the Project and the Obligor in an initial aggregate amount of \$2,000,000, subject to adjustment. **THE FOUNDATION IS NOT OBLIGATED WITH RESPECT TO THE REPAYMENT OF THE BONDS OTHER THAN WITH RESPECT TO THE COMMITMENT OF THE FOUNDATION UNDER THE LIQUIDITY SUPPORT AGREEMENT. SEE "LIQUIDITY SUPPORT AGREEMENT" HEREIN FOR ADDITIONAL INFORMATION.**

Additional information regarding the Obligor and each of the Affiliated Entities is included in **APPENDIX A** hereto and **APPENDIX B** hereto.

The Community

The Community, a senior living community to be known as Ventana and owned by the Obligor, will be constructed on the Project Site. The Project Site is located on a tract of land consisting of approximately 3.08 acres located on at the southwest corner of Northwest Highway and North Central Expressway (US Hwy 75) in Dallas, Texas. Conveniences important to seniors including shopping, pharmacies, grocery stores, gas stations, banks, restaurants and a retail mall, NorthPark Center, are located near the Project Site. Additionally, there are numerous medical clinics, including family practice and specialty services, and several hospital systems located within a few miles of the Project Site.

The Community is planned to consist of two 12-story towers containing 189 independent living units (the "Independent Living Units"), 38 assisted living units (the "Assisted Living Units"), 26 memory support assisted living units (the "Memory Support Units") and 72 skilled nursing beds (the "Skilled Nursing Beds"), which consists of 48 long-term beds and 24-short-term beds. Independent living common areas of the Community will include a grand hall multi-purpose space, a wellness center and indoor pool, library, TV/media room, art and activity spaces, three distinct dining venues with outdoor spaces and a sky lounge on the top floor of the south tower. Once constructed, the Community will have 54 surface parking spaces and 284 sub-surface parking spaces underneath the towers.

The 189 Independent Living Units in the Community will be offered in one, two and three-bedroom configurations in 26 distinct unit designs. The independent living common areas have been designed to provide convenient access to all dining, fitness, activity, and social gathering spaces from the two towers. Each Independent Living Unit will be furnished with options for floor coverings, cabinets, and countertops; window treatments; standard appliances; an emergency call system; fire sprinkler system; and a cable/telephone/data communication ports. All utilities, except telephone and expanded cable television services are included in the monthly service fee.

The 38 Assisted Living Units in the Community have been designed to foster the continued independence of persons who require varying amounts of assistance with activities of daily living. The Assisted Living Units will be private apartments with kitchenettes and full baths and will be furnished with amenities similar to the Independent Living Units, but do not include the kitchen range, dishwasher, or washer and dryer. The Assisted Living common areas will include a living room, library, main dining room, fitness room, activity room, several balconies, and administrative and support areas.

The 26 Memory Support Units in the Community will be private units with full baths and will be furnished with amenities similar to the Assisted Living Units, but without kitchenettes. The Memory Support Units will have separate common areas including a dining room, a living room, activity space, and a secured memory support garden area.

The Community will also include 72 Skilled Nursing Beds composed of 48 long-term care beds situated into four separate neighborhoods and 24 short-term rehabilitation beds. The design of each long-term care neighborhood features a separate residential-style entrance, dining and living rooms, open kitchen available for resident activities, outdoor space, and activity space. The area containing the 24 short-term rehabilitation beds features a rehabilitation gym, physical/occupational therapy space, dining and living rooms, activity areas, and a separate entrance.

See **"THE COMMUNITY"** herein and **"THE OBLIGOR AND THE COMMUNITY"** in **APPENDIX A** hereto for more information related to the Project and the Community.

Development and Management of the Community

The Obligor has entered into a development consulting services agreement (the "Development Consulting Agreement"), effective December 2013 with Greenbrier Development LLC (the "Development Consultant") to provide development consulting services during the planning and development of the Community. Pursuant to the Development Consulting Agreement, the Development Consultant's role is to provide certain professional and consulting services related to the planning and development of the Community. In addition, the Obligor has entered into a development services agreement and management services agreement with BRS to provide certain development and management related services, respectively, to the Obligor. See **"DEVELOPMENT OF THE COMMUNITY"** and **"BUCKNER RETIREMENT SERVICES"** in **APPENDIX A** hereto for more information regarding the development of the Project and the management of the Community.

The Construction Manager and the Construction Contract

The Obligor has entered into a guaranteed maximum price construction contract (the "Construction Contract") for the Project with The Whiting-Turner Contracting Company (the "Construction Manager"). Founded in 1909, the Construction Manager is headquartered in Baltimore, Maryland and has 31 offices throughout the United States. The Construction Manager provides construction management, general contracting, and design-build services in many market segments including continuing care facilities. The Construction Contract provides for a guaranteed maximum price of \$136,051,064, which includes a contractor's construction contingency equal to approximately \$1,938,000 and approximately \$667,000 for payment and performance bonds and \$1,008,000 for general liability insurance. In addition, an owner held construction contingency equal to approximately \$4,095,000 and other miscellaneous costs of approximately \$2,880,000 are included in the construction costs which are not included in the guaranteed maximum price. The Construction Contract requires the Construction Manager to obtain payment and performance bonds payable to the Obligor for completion of the Project. The Construction Contract requires the Construction Manager to substantially complete construction of the Project within the following construction periods: (i) health care levels and independent living common areas within 729 calendar days (approximately 24 months); and (ii) the Independent Living Units within 762 calendar days (approximately 25 months). In the event the Construction Manager does not substantially complete the Project within the specified construction period, the Construction Manager will be liable for liquidated damages for each day of delay past the required date of substantial completion. Adjustment for allowances, change orders or other circumstances could result in the maximum price exceeding that established by the Construction

Contract. Further information regarding the Construction Manager and the Construction Contract is included in **APPENDIX A** attached hereto in the sections entitled "**OTHER PROFESSIONAL SERVICES - The Construction Manager,**" "**- The Construction Contract**" and "**- Construction Schedule and Liquidated Damages.**"

Liquidity Support Agreement

The Obligor, the Foundation, and UMB Bank, N.A., the hereinafter described Master Trustee and Bond Trustee, will enter into a liquidity support agreement (the "Liquidity Support Agreement") upon closing of the Bonds, pursuant to which the Foundation will provide liquidity support to the Obligor in an aggregate amount of \$10,000,000, subject to adjustment. The initial deposit by the Foundation to the Liquidity Support Account will be \$2,000,000 and will be made on March 1, 2019. The moneys available under the Liquidity Support Agreement may be drawn by the Bond Trustee, the Master Trustee or the Obligor to pay for Project costs, debt service on the Bonds, or any working capital or operating expense needs in conjunction with the Community, if no other funds are available for those purposes in any trustee-held fund held by the Bond Trustee (other than the Debt Service Reserve Fund) or Master Trustee, subject to the provisions of the Liquidity Support Agreement. Repayments of draws under the Liquidity Support Agreement (the "Obligor Repayment Obligation") will constitute "Subordinated Indebtedness" of the Obligor as defined in the hereinafter described Master Indenture, will be evidenced by a Subordinate Note (as defined below) issued pursuant to the Master Indenture and will be subject to certain repayment restrictions. No repayment of such Subordinated Indebtedness to the Foundation may be made except as described in "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Limitation on Payments on Subordinated Indebtedness to Affiliates**" herein. See "**LIQUIDITY SUPPORT AGREEMENT**" herein.

Security and Sources of Payment for the Bonds

General. The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee, (a) the Series 2017 Notes relating to the Bonds, (b) certain rights of the Issuer under the hereinafter described Loan Agreement, (c) the funds and accounts (excluding the Rebate Fund), including the money and investments in them, which the Bond Trustee holds under the terms of the Bond Indenture, and (d) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2017 Notes.

Loan Agreement. Pursuant to the Loan Agreement, the Obligor has agreed to make loan payments sufficient, among other things, to pay in full when due all principal and purchase price of, if any, premium, if any, and interest on the Bonds and the administrative fees of the Bond Trustee, and, to make payments as required to restore any

deficiencies in the separate accounts of the debt service reserve fund (the "Reserve Fund") with respect to the respective series of Bonds. See **"SECURITY FOR THE BONDS - The Loan Agreement."** See also **"THE LOAN AGREEMENT"** in **APPENDIX C** hereto.

Master Indenture. The obligation of the Obligor to repay the loan from the Issuer will be evidenced by promissory notes of the Obligor (the "Series 2017 Notes"), issued under and entitled to the benefit and security of a Master Trust Indenture, Deed of Trust and Security Agreement, dated as of May 1, 2017, as supplemented by Supplemental Indenture Number 1, dated as of May 1, 2017 (as supplemented, the "Master Indenture"), each between UMB Bank, N.A., as master trustee (the "Master Trustee"), and the Obligor, as the initial Member of the Obligated Group. See **"SECURITY FOR THE BONDS - The Master Indenture."** See also **"THE MASTER INDENTURE"** in **APPENDIX C** hereto. The Series 2017 Notes will constitute an unconditional promise by each Obligated Group Member to pay amounts sufficient to pay principal of (whether at maturity, by acceleration or call for redemption) and premium, if any, and interest on the Bonds; and the Series 2017 Notes will be secured on a parity basis with any other Obligations (other than Subordinate Obligations discussed below) issued under the Master Indenture, by a lien on and security interest in the Mortgaged Property granted (as defined in the Master Indenture and consisting of the Project Site) to the Master Trustee as described below and a security interest in the Gross Revenues of the Obligated Group and the Funds established under the Master Indenture. **Initially, the Obligor will be the only member of the Obligated Group.**

The Series 2017 Notes and any other Obligations under the Master Indenture are further secured by a lien on the Mortgaged Property granted pursuant thereto, including, without limitation, all buildings, structures, fixtures, additions, enlargements, extensions, improvements, modifications or repairs now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by Obligor. See also **"THE MASTER INDENTURE"** in **APPENDIX C** hereto. See **"RISK FACTORS - Liquidation of Security May Not be Sufficient in the Event of a Default."**

The Assigned Collateral. As additional security for the Series 2017 Notes and any other Obligations under the Master Indenture, the Obligor will enter into a Collateral Assignment of Transaction Documents (the "Collateral Assignment") to collaterally assign to the Master Trustee all of its right, title and interest in the Development Consulting Agreement and the other Services Agreements (as defined in the Collateral Assignment), all other plans, specifications and contracts for design and development of the Project.

Subordinate Notes. Certain obligations of the Obligor with respect to Affiliate Development Fees, Deferred Affiliate Management Fees and the Obligor's Repayment

Obligation under the Liquidity Support Agreement are evidenced by promissory notes issued under the Master Indenture on a subordinate basis (the "Subordinate Notes" and, together with any other subordinate Obligations issued under the Master Indenture, the "Subordinate Obligations"). See **"THE MASTER INDENTURE - Payments on Subordinated Indebtedness to an Affiliate"** and **"- Payment of Affiliate Management Fees"** in APPENDIX C hereto, as well as **"LIQUIDITY SUPPORT AGREEMENT - Repayment of Draws on the Support Obligation"** herein.

Pledge of Gross Revenues. In order to secure the payment of the principal of, premium, if any, and interest on the obligations of the Obligor under the Master Indenture, including the Series 2017 Notes, the Obligated Group Members will pledge, assign, confirm and grant a security interest to the Master Trustee in the Gross Revenues of the Obligated Group Members as well as all moneys and securities from time to time held by the Master Trustee under the terms of the Master Indenture.

Reserve Fund. As additional security for the Bonds, separate accounts will be established within the Reserve Fund for each series of Bonds pursuant to the Bond Indenture and will be funded from the proceeds of the applicable series of Bonds. The Series 2017A Reserve Account is required to be funded in an amount equal to the Maximum Annual Debt Service on the Series 2017A Bonds (excluding the year of final maturity), the Series 2017B Reserve Account is required to be funded in an amount equal to one year's interest on the Series 2017B Bonds and the Taxable Series 2017C Reserve Account is required to be funded in an amount equal to one year's interest on the Taxable Series 2017C Bonds. See **"SECURITY FOR THE BONDS - Debt Service Reserve Fund For the Bonds."** See also **"THE BOND INDENTURE"** in APPENDIX C hereto.

Certain Covenants of the Obligated Group

Rate Covenant. The Master Indenture requires that commencing with the Initial Testing Period described below, if the Historical Debt Service Coverage Ratio of the Obligated Group for the Initial Testing Period is less than 1.10:1, the Obligated Group Representative, at the Obligated Group's expense, will select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year. The "Initial Testing Period" means the earlier of (a) the first full Fiscal Year following the year in which both of these conditions have been met: (i)(A) the percentage occupancy of the Independent Living Units in the Facilities (as defined in the Master Indenture) is equal to or greater than 93%, and (B) the total percentage occupancy of all units and beds in the Facilities is equal to or greater than 91%, both calculated as of the last day of a fiscal quarter, and (ii) all the Series 2017B Bonds and the Taxable Series 2017C Bonds have been paid in full, and are no longer outstanding; provided, if the Series 2017B Bonds and

the Taxable Series 2017C Bonds referred to in (ii) above are repaid no later than March 1 of a particular year, they shall be deemed to have been fully repaid in the prior Fiscal Year (as if they were repaid prior to December 31 of the prior Fiscal Year) or (b) the Fiscal Year ending December 31, 2024.

If the Historical Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year following the Initial Testing Period, and for any Fiscal Year thereafter, is less than 1.20:1, the Obligated Group Representative, at the Obligated Group's expense, shall select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year.

Within 60 days of the actual engagement of any such Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. This covenant shall not be construed to prohibit any Member from serving indigent residents to the extent required for such Member to continue its qualification as a Tax Exempt Organization or from serving any other class or classes of residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this covenant.

The Master Trustee shall not be obligated to require the Obligated Group to select a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Required Information Recipient) a written report addressed to them of a Consultant which contains an opinion of such Consultant that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year sufficient to meet the requirements of this covenant, and such report is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee) an opinion of Independent Counsel to the effect that the

applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

If the Obligated Group (i) fails to achieve a Historical Debt Service Coverage Ratio of 1.20:1 for any Fiscal Year (or, in the case of the Initial Testing Period, a Historical Debt Service Coverage Ratio of 1.10:1) but (ii) does achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for such Fiscal Year, such failure 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 preparing a report and adopting a plan and 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.

Commencing with the Initial Testing Period, if the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for any Fiscal Year, such failure shall constitute an Event of Default under the Master Indenture. See **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Rate Covenant"** herein.

For specific information regarding the process under the Master Indenture for selection of Consultants, see **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants"** herein and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants"** attached hereto.

Liquidity Covenant. The Master Indenture requires that the Obligated Group conducts its business so that it maintains on each June 30 and December 31, commencing with June 30 in the Initial Testing Period (each a "Testing Date"), (a) no less than 180 Days Cash on Hand, and (b) a Cash to Indebtedness Ratio of (i) no less than 0.25:1 on each of the first two Testing Dates, (ii) no less than 0.275:1 for the next two following Testing Dates, and (iii) no less than 0.30:1 on each Testing Date thereafter (the "Liquidity Requirement"). Upon the receipt by the Master Trustee of an Officer's Certificate of the Obligated Group Representative demonstrating that on each Testing Date for three consecutive Fiscal Years, the Obligated Group reported (x) an Historical Debt Service Coverage Ratio of 1.30:1 or more, and (y) a Cash to Indebtedness Ratio of 0.30:1 or more, the Cash to Indebtedness Ratio requirement set forth in (b) of the preceding sentence shall be eliminated, and the Liquidity Requirement will be a covenant to maintain no less than 180 Days Cash on Hand on each Testing Date thereafter.

If the Cash to Indebtedness Ratio or the amount of the Days Cash on Hand, as applicable, on any Testing Date is less than the Liquidity Requirement, the Obligated Group Representative is required, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, to deliver an Officer's Certificate approved by a resolution of the Governing Body of the Obligated Group Representative 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 raise the level of the Cash to Indebtedness Ratio or the amount of the Days Cash on Hand, as applicable, to the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised the level of the Cash to Indebtedness Ratio or the amount of Days Cash on Hand to the Liquidity Requirement by the next Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative is required, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, to select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Cash to Indebtedness Ratio or raise the level of the Days Cash on Hand, as applicable, to the Liquidity Requirement for future Testing Dates. A copy of the Consultant's report and recommendations, if any, is required to be filed with each Member and each Required Information Recipient within 60 days of the actual engagement of such Consultant. Each member of the Obligated Group is required to follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Governing Body of the member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Testing Date will not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the required procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law. See **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Liquidity Covenant"** herein.

For specific information regarding the process under the Master Indenture for selection of Consultants, see **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants"** and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants."**

Marketing Covenant. Commencing with the fiscal quarter ending June 30, 2017, and ending with the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs, the Obligated Group will use its best efforts to maintain the percentage of Entrance Fee Units which are Reserved (the "Percentage of Reserved Entrance Fee Units") at or above the applicable levels set forth in the tables below, which determinations shall be measured as of the last day of the applicable quarter (the "Marketing Requirements"). The Marketing Requirements for the applicable quarter shall be either (a) the Level I Marketing Requirements for the applicable quarter as long as the Adjusted Level I Occupancy Requirements set forth below have not been satisfied, or (b) the Adjusted Level I Marketing Requirements if the Adjusted Level I Occupancy

Requirements set forth below in "Certain Covenants of the Obligated Group - Occupancy Covenant" have been satisfied

[Remainder of page intentionally left blank]

| <u>Quarter Ending</u> | Percentage of Reserved Entrance Fee Units (%) <u>Level I</u> |
|-------------------------------------|---|
| June 30, 2017 | 66.6% |
| September 30, 2017 | 67.7 |
| December 31, 2017 | 68.7 |
| March 31, 2018 | 69.8 |
| June 30, 2018 | 71.9 |
| September 30, 2018 | 73.0 |
| December 31, 2018 | 75.1 |
| March 31, 2019 | 77.2 |
| June 30, 2019 | 74.6 |
| September 30, 2019 | 73.5 |
| December 31, 2019 | 73.5 |
| March 31, 2020 | 75.1 |
| June 30, 2020 | 76.7 |
| September 30, 2020 | 77.7 |
| December 31, 2020 | 78.8 |
| March 31, 2021 | 79.8 |
| June 30, 2021 | 80.9 |
| September 30, 2021 | 82.5 |
| December 31, 2021 | 84.1 |
| March 31, 2022 | 86.2 |
| June 30, 2022 | 88.3 |
| September 30, 2022 | 89.4 |
| December 31, 2022 and thereafter | 89.9 |

| <u>Occupancy Quarter</u> | Percentage of Reserved Entrance Fee Units (%) <u>Adjusted Level I</u> |
|---------------------------------|--|
| 1 | 69.8% |
| 2 | 69.3 |
| 3 | 71.4 |
| 4 | 73.0 |

For additional information regarding the marketing covenant and remedies, see "SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Marketing Covenant" herein.

Occupancy Covenant. The Obligated Group covenants that for each fiscal quarter (a) commencing with the first fiscal quarter which ends not less than 60 days following the issuance of a certificate of occupancy for any portion of the Facilities containing Entrance Fee Units, and (b) ending with the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs (each an "Occupancy Quarter"), the Obligated Group will use its best efforts to have Occupied (as defined in the Master Indenture) the percentage of the total number of all Entrance Fee Units (the "Percentage of Units Occupied") at or above the Level I Occupancy Requirements set forth below which levels shall be measured as of the last day of the applicable Occupancy Quarter (the "Occupancy Requirements"):

| <u>Occupancy Quarter</u> | <u>Level I Occupancy Requirements (%)</u> | <u>Projected Occupancy (%)⁽¹⁾</u> | <u>Adjusted Level I Occupancy Requirements (%)⁽²⁾</u> |
|------------------------------|---|--|--|
| 1 | 14.2% | 23.3% | 24.9% |
| 2 | 28.0 | 39.7 | 50.3 |
| 3 | 40.2 | 54.0 | 65.6 |
| 4 | 46.5 | 61.4 | 75.1 |
| 5 | 51.8 | 67.7 | |
| 6 | 57.1 | 73.5 | |
| 7 | 61.9 | 78.3 | |
| 8 | 66.6 | 82.9 | |
| 9 | 70.3 | 86.0 | |
| 10 | 74.0 | 89.2 | |
| 11 | 78.3 | 92.4 | |
| 12 | 82.5 | 95.0 | |
| 13 | 85.1 | 95.0 | |
| 14 | 87.8 | 95.0 | |
| 15 | 88.8 | 95.0 | |
| 16 and thereafter | 90.0 | 95.0 | |

⁽¹⁾ This information is based on Management's forecast as contained in Table 43 in the Financial Feasibility Study attached hereto as **APPENDIX B**. This information is not included in the Master Indenture and is set forth here for the purpose of comparison only. There can be no assurance that the Obligated Group will achieve the occupancy levels forecasted.

⁽²⁾ This information is for use with the marketing covenant only, as set forth in "**Marketing Covenant**" above.

For additional information regarding the occupancy covenant and remedies, see "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Occupancy Covenant**" herein.

Cumulative Cash Operating Loss Covenant. The Obligated Group covenants that during the period (a) commencing with (i) the first fiscal quarter ending after the

Initial Occupancy Date if such date is more than 30 days prior to the end of such fiscal quarter, or (ii) the first full fiscal quarter ending after the Initial Occupancy Date if such Initial Occupancy Date is less than 30 days prior to the end of a fiscal quarter, and (b) ending with the fiscal quarter immediately preceding the Initial Testing Period (Cumulative Cash Operating Loss is not required to be calculated for the Initial Testing Period of the rate covenant described above), it will calculate its Cumulative Cash Operating Loss as of the last day of each such fiscal quarter. Each Member is required to conduct its business so that as of the end of each such testing quarter the Obligated Group will have a Cumulative Cash Operating Loss for such fiscal quarter or on an aggregate basis no greater than the amount set forth below:

| Occupancy Quarter | Per Fiscal Quarter | | Aggregate | |
|-------------------|--|--|--|--|
| | Forecasted Cumulative Cash Operating Loss ⁽¹⁾ | Maximum Cumulative Cash Operating Loss | Forecasted Cumulative Cash Operating Loss ⁽¹⁾ | Maximum Cumulative Cash Operating Loss |
| 1 | \$(2,079,000) | \$(3,250,000) | \$(2,079,000) | \$(3,250,000) |
| 2 | (2,285,000) | (3,150,000) | (4,364,000) | (6,400,000) |
| 3 | (3,496,000) | (4,850,000) | (7,860,000) | (11,250,000) |
| 4 | (2,610,000) | (3,250,000) | (10,470,000) | (14,500,000) |
| 5 | (1,972,000) | (2,500,000) | (12,442,000) | (17,000,000) |
| 6 | (1,381,000) | (1,800,000) | (13,823,000) | (18,800,000) |
| 7 | (840,000) | (1,000,000) | (14,663,000) | (19,800,000) |
| 8 | (509,000) | (500,000) | (15,172,000) | (20,300,000) |
| 9 | (278,000) | (400,000) | (15,450,000) | (20,700,000) |
| 10 | (152,000) | (200,000) | (15,602,000) | (20,900,000) |
| 11 | (237,000) | (100,000) | (15,839,000) | (21,000,000) |
| 12 | (138,000) | (200,000) | (15,977,000) | (21,200,000) |
| 13 | (100,000) | (150,000) | (16,077,000) | (21,350,000) |
| 14 and thereafter | \$(99,000) | \$(125,000) | \$(16,176,000) | \$(21,475,000) |

⁽¹⁾ Excludes net turnover Entrance Fees. This information is based on Management's forecast as contained in the Financial Feasibility Study. See **APPENDIX B - Financial Feasibility Study**. This information is not included in the Master Indenture and is set forth herein for the purpose of comparison only. There can be no assurance that the Obligated Group will achieve the operating levels forecasted.

For additional information regarding the cumulative cash operating loss covenant and remedies, see **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Cumulative Cash Operating Loss Covenant"** herein.

Approval of Consultants. Pursuant to the Master Indenture, the Bondholders have certain approval rights as to Consultants selected by the Obligor. See **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants"** herein and **APPENDIX C** attached hereto.

Financial Feasibility Study

Dixon Hughes Goodman LLP, independent certified public accountants, has prepared a Financial Feasibility Study, dated April 13, 2017 (the "Financial Feasibility Study"), which is included as **APPENDIX B** hereto. The Financial Feasibility Study includes management's financial forecast of the Obligated Group for the seven years ending December 31, 2023. As stated in the Financial Feasibility Study, there will usually be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. **THE FINANCIAL FEASIBILITY STUDY SHOULD BE READ IN ITS ENTIRETY, INCLUDING MANAGEMENT'S NOTES AND ASSUMPTIONS SET FORTH THEREIN.** See **APPENDIX B** hereto.

Forecasted Financial Information of the Obligor

The table on the following page reflects the forecasted funds available for debt service and other financial ratios for the year ending December 31, 2023, and has been extracted from the financial forecast included in the Financial Feasibility Study included as **APPENDIX B** hereto. For purposes of calculating debt service requirements in the table below the following assumptions were made:

- (a) the Series 2017A Bonds are issued in the aggregate principal amount of \$152,235,000 with term maturities to November 15, 2052 and with assumed average interest rates of 7.15 percent;
- (b) the Series 2017B-1 Bonds are issued in the aggregate principal amount of \$22,250,000 with an assumed average interest rate of 5.375 percent and anticipated to be redeemed in full by approximately August 1, 2021;
- (c) the Series 2017B-2 Bonds are issued in the aggregate principal amount of \$22,250,000 with an assumed average interest rate of 5.375 percent and anticipated to be redeemed in full by approximately November 1, 2020;
- (d) the Series 2017B-3 Bonds are issued in the aggregate principal amount of \$38,250,000 with an assumed average interest rate of 5.375 percent and anticipated to be redeemed in full by approximately May 1, 2020; and
- (e) the Taxable Series 2017C Bonds are issued in the aggregate principal amount of \$3,395,000 with an assumed average interest rate of 5.375 percent and anticipated to be redeemed in full by approximately February 20, 2020.

All amounts, except the ratios, are expressed in thousands of dollars. **No assurance can be given that the assumed interest rates described above and used in making the calculations in the following table will be achieved or maintained.**

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| Long-Term Debt Service Coverage Ratio | 2023 |
|---|----------------------|
| Change in net deficit | \$ (3,464) |
| Deduct: | |
| Entrance fee amortization | (3,060) |
| Add: | |
| Depreciation | 5,322 |
| Amortization of deferred marketing costs | 309 |
| Interest expense | 11,438 |
| Deferred Management Fees ^(a) | 576 |
| Entrance fees received - attrition (non-refundable) | 2,352 |
| Entrance fees received - attrition (refundable) | 8,680 |
| Entrance fees refunded | (5,133) |
| Income Available for Debt Service | \$ 17,020 |
| Maximum Annual Debt Service ^(b) | \$ 12,515 |
| Maximum Annual Debt Service Coverage Ratio | 1.36x |
| Annual Debt Service | \$ 10,885 |
| Annual Debt Service Coverage Ratio | 1.56x |

| Days Cash on Hand | 2023 |
|--|---------------|
| Cash and investments | \$ 47,388 |
| Cash on hand | \$ 47,388 |
| Total expenses | 34,733 |
| Less: | |
| Deferred Management Fees ^(a) | (576) |
| Depreciation | (5,322) |
| Amortization of deferred marketing costs | (309) |
| Amortization of deferred financing costs | (183) |
| Total expenses less deferred management fees, depreciation and amortization | 28,343 |
| Daily operating expenses ^(c) | 78 |
| Days cash on hand | 608 |

| Cash to Debt Ratio | 2023 |
|--|-------------------|
| Cash and investments | \$ 47,388 |
| Debt Service Reserve Fund - Series 2017A Bonds | 12,515 |
| Funds Available for Debt Service | \$ 59,903 |
| Long-Term Indebtedness Outstanding | \$ 151,500 |
| Cash to Debt Ratio | 0.40x |

(a) Management fees payable to Buckner Retirement Services are to be partially deferred during the forecast period.

(b) The Maximum Annual Debt Service is equal to the greatest debt service requirement in the then current or any future fiscal year, other than the debt service requirements on the Series 2017B and Series 2017C Bonds and excludes the principal and interest payment on the Series 2017A Bonds due November 15, 2052.

(c) Daily operating expenses are equal to total operating expenses less depreciation and amortization divided by 365 days.

Financial Reporting and Disclosure

Financial Reporting. The Master Indenture requires that the Obligated Group Representative provide to each Required Information Recipient certain financial information on a monthly, quarterly, and annual basis. For a description of the financial information required to be provided, see "**FINANCIAL REPORTING AND CONTINUING DISCLOSURE - Financial Reporting**" herein.

Continuing Disclosure. Given the sources of repayment for the Bonds and the Issuer's limited obligation in respect thereof, the Issuer has determined that its financial and operating data are not material to a decision to purchase, hold or sell the Bonds. Consequently, the Issuer will not provide any such information. The Obligor, however, has agreed to make certain financial information and operating data available to holders of the Bonds as described herein. The Obligor has further agreed to provide certain financial information and operating data to the Municipal Securities Rule Making Board (the "MSRB"), through its Electronic Municipal Market Access System ("EMMA"). The Obligor is solely responsible for providing such disclosure, and the Issuer shall have no responsibility or liability to the holders of the Bonds or any other person for the making, monitoring or content of such disclosures. In addition, the Obligor will provide the MSRB, through EMMA, a copy of any information provided to Bondholders pursuant to the Master Indenture described above. See "**FINANCIAL REPORTING AND CONTINUING DISCLOSURE - Continuing Disclosure**" herein for further information.

Risk Factors

AN INVESTMENT IN THE BONDS INVOLVES A CERTAIN DEGREE OF RISK INCLUDING THOSE SET FORTH UNDER THE HEADING "**RISK FACTORS**" HEREIN. A PROSPECTIVE BONDHOLDER IS ADVISED TO READ "**SECURITY FOR THE BONDS**" AND "**RISK FACTORS**" FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, careful evaluation should be made of management's assumptions and rationale described in the Financial Feasibility Study, and certain factors that may adversely affect the ability of the Obligor or any future obligor to generate sufficient revenues to pay expenses of operation, including the principal of, premium, if any, and interest on the Bonds.

The Principal Documents

THE DESCRIPTIONS AND SUMMARIES OF VARIOUS DOCUMENTS SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING **APPENDIX C**, DO NOT

PURPORT TO BE COMPREHENSIVE OR DEFINITIVE, AND REFERENCE IS MADE TO EACH DOCUMENT FOR COMPLETE DETAILS OF ALL TERMS AND CONDITIONS. ALL STATEMENTS HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY THE TERMS OF EACH SUCH DOCUMENT. DURING THE PERIOD OF THE OFFERING, COPIES OF DRAFTS OF THE BONDS, THE BOND INDENTURE, THE LOAN AGREEMENT, THE SERIES 2017 NOTES, THE MASTER INDENTURE, THE LIQUIDITY SUPPORT AGREEMENT, AND THE CONTINUING DISCLOSURE CERTIFICATE ARE AVAILABLE FROM THE UNDERWRITER, AND FOLLOWING DELIVERY OF THE BONDS, COPIES OF THE EXECUTED ORIGINALS THEREOF MAY BE EXAMINED AT THE PRINCIPAL CORPORATE TRUST OFFICE OF THE BOND TRUSTEE.

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OFFICIAL STATEMENT
relating to the

\$238,380,000*

**TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE
CORPORATION**

**Retirement Facility Revenue Bonds
(Buckner Senior Living - Ventana Project)
consisting of**

| | | | | |
|-------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|
| \$152,235,000* | \$22,250,000* | \$22,250,000* | \$38,250,000* | \$3,395,000* |
| Series 2017A | Series 2017B-1 | Series 2017B-2 | Series 2017B-3 | Taxable |
| Fixed Rate Bonds | Tax Exempt | Tax Exempt | Tax Exempt | Series 2017C |
| | Mandatory | Mandatory | Mandatory | Taxable |
| | Paydown | Paydown | Paydown | Mandatory |
| | Securities | Securities | Securities | Paydown |
| | (TEMPS-80SM) | (TEMPS-65SM) | (TEMPS-50SM) | Securities |
| | | | | (Taxable MPSSM) |

INTRODUCTION

Purpose of this Official Statement

This Official Statement, including the cover page and Appendices hereto, is provided to furnish information with respect to the issuance, sale and delivery by Tarrant County Cultural Education Facilities Finance Corporation (the "Issuer") of its Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project) consisting of the Series 2017A Bonds (the "Series 2017A Bonds"), the Series 2017B-1 Bonds (Tax Exempt Mandatory Paydown Securities (TEMPS-80SM)) (the "Series 2017B-1 Bonds"), the Series 2017B-2 Bonds (Tax Exempt Mandatory Paydown Securities (TEMPS-65SM)) (the "Series 2017B-2 Bonds"), the Series 2017B-3 Bonds (Tax Exempt Mandatory Paydown Securities (TEMPS-50SM)) (the "Series 2017B-3 Bonds" and together with the Series 2017B-1 Bonds and the Series 2017B-2 Bonds, the "Series 2017B Bonds") and the Taxable Series 2017C Bonds (Taxable Mandatory Paydown Securities (Taxable MPSSM)) (the "Taxable Series 2017C Bonds," which together with the Series 2017A Bonds and the Series 2017B Bonds are collectively referred to as the "Bonds" or "Series 2017 Bonds").

The Bonds are being issued pursuant to the Cultural Education Facilities Finance Corporation Act, Article 1528m, V.A.T.C.S., as amended (the "Act"), in conformity with the provisions, restrictions and limitations thereof and pursuant to the Indenture of Trust,

* Preliminary, subject to change.

SMTEMPS-80, TEMPS-65, TEMPS-50 and Taxable MPS are a service mark of B.C. Ziegler and Company.

dated as of May 1, 2017 (the "Bond Indenture"), between the Issuer and UMB Bank, N.A., as bond trustee (the "Bond Trustee").

Certain capitalized terms used herein are defined in **"DEFINITIONS OF CERTAIN TERMS"** in **APPENDIX C** hereto. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document.

Purpose of the Bonds. The proceeds of the Bonds will be loaned to Buckner Senior Living, Inc., a Texas nonprofit corporation (the "Obligor" or the "Obligated Group Representative"), pursuant to a Loan Agreement, dated as of May 1, 2017 (the "Loan Agreement"), between the Issuer and the Obligor and will be used, together with other available moneys described herein, to: (i) finance and reimburse the costs of developing, marketing, acquiring, constructing and equipping a senior living community anticipated to consist of approximately 189 independent living units, 38 assisted living units, 26 memory support units and 72 skilled nursing beds along with associated common areas (collectively, the "Project"), to be known as Ventana (the "Community") that will be located on a tract of land consisting of approximately 3.08 acres (the "Project Site") situated in Dallas, Texas; (ii) fund, for a period of approximately 31 months, interest on the Bonds (consisting of approximately 25 months for the construction period and 6 months for the anticipated fill-up period for the Project); (iii) fund the separate accounts of the debt service reserve fund to secure the Bonds; and (iv) pay the cost of issuing the Bonds. See **"THE COMMUNITY"** herein for additional information relating to the Project. Also see **"THE OBLIGOR AND AFFILIATED ENTITIES"** and **"ESTIMATED SOURCES AND USES OF FUNDS"** herein.

Risk Factors. Certain risks are inherent in the successful construction and operation of facilities such as the Community on a basis such that sufficient cash will be available to pay interest on and to retire indebtedness. See **"RISK FACTORS"** herein for a discussion of certain of these risks.

Security for the Bonds. The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee, (a) the hereinafter described Series 2017 Notes relating to the Bonds, (b) certain rights of the Issuer under the hereinafter described Loan Agreement, (c) the funds and accounts (excluding the Rebate Fund), including the money and investments in them, which the Bond Trustee holds under the terms of the Bond Indenture, and (d) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2017 Notes.

Pursuant to the Loan Agreement, the Obligor has agreed to make loan payments sufficient, among other things, to pay in full when due all principal of, premium, if any, and interest on the Bonds and the administrative fees of the Bond Trustee, and, to make payments as required to restore any deficiencies in the separate accounts of the debt service reserve fund (the "Reserve Fund") with respect to each series of Bonds. See **"SECURITY FOR THE BONDS - The Loan Agreement."** See also **"THE LOAN AGREEMENT"** in **APPENDIX C** hereto.

The obligation of the Obligor to repay the loan from the Issuer will be evidenced by promissory notes of the Obligor (the "Series 2017 Notes"), issued under and entitled to the benefit and security of a Master Trust Indenture, Deed of Trust and Security Agreement, dated as of May 1, 2017, as supplemented by Supplemental Indenture Number 1, dated as of May 1, 2017 (as supplemented, the "Master Indenture"), each between UMB Bank, N.A., as master trustee (the "Master Trustee"), and the Obligor. See **"SECURITY FOR THE BONDS - The Master Indenture."** See also **"THE MASTER INDENTURE"** in **APPENDIX C** hereto. The Series 2017 Notes will constitute an unconditional promise by each Obligated Group Member to pay amounts sufficient to pay principal of (whether at maturity, by acceleration or call for redemption) and premium, if any, and interest on the Bonds; and the Series 2017 Notes will be secured on a parity basis with any other Obligations (other than the Subordinate Obligations described below) issued under the Master Indenture, by a lien on and security interest in the Mortgaged Property (as defined in the Master Indenture and consisting of the Project Site) granted to the Master Trustee as described below and a security interest in the Gross Revenues of the Obligated Group and the Funds established under the Master Indenture. **Initially, the Obligor will be the only member of the Obligated Group.**

The Series 2017 Notes and any other Obligations issued under the Master Indenture are further secured by a lien on the Mortgaged Property granted pursuant to the Master Indenture, including, without limitation, all buildings, structures, fixtures, additions, enlargements, extensions, improvements, modifications or repairs now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by Obligor. See also **"THE MASTER INDENTURE"** in **APPENDIX C** hereto. See **"RISK FACTORS - Liquidation of Security May Not be Sufficient in the Event of a Default."**

As additional security for the Series 2017 Notes and any other Obligations issued under the Master Indenture, the Obligor will enter into a Collateral Assignment of Transaction Documents (the "Collateral Assignment") to collaterally assign to the Master Trustee all of its right, title and interest in the Development Consulting Agreement (as defined herein) and the other Services Agreements (as defined in the Collateral

Assignment), all other plans, specifications and contracts for design and development of the Project.

Certain obligations of the Obligor with respect to Affiliate Development Fees, Deferred Affiliate Management Fees and the Obligor's Repayment Obligation under the Liquidity Support Agreement are evidenced by promissory notes issued under the Master Indenture on a subordinate basis (the "Subordinate Notes" and, together with any other subordinate Obligations issued under the Master Indenture, the "Subordinate Obligations"). See **"THE MASTER INDENTURE - Payments on Subordinated Indebtedness to an Affiliate"** and **"- Payment of Affiliate Management Fees"** in **APPENDIX C** hereto, as well as **"LIQUIDITY SUPPORT AGREEMENT - Repayment of Draws on the Support Obligation"** herein.

The Obligor, the Foundation, and the Master Trustee and the Bond Trustee, will enter into a liquidity support agreement (the "Liquidity Support Agreement") upon closing of the Bonds, pursuant to which the Foundation (as defined herein) will provide liquidity support to the Obligor in an initial aggregate amount of \$2,000,000 (increasing up to \$10,000,000 upon certain conditions), subject to adjustment. The moneys available under the Liquidity Support Agreement may be drawn by the Bond Trustee, the Master Trustee or the Obligor to pay for Project costs, debt service on the Bonds, or any working capital or operating expense needs in conjunction with the Community, if no other funds are available for those purposes in any trustee-held fund held by the Bond Trustee (other than the Debt Service Reserve Fund) or Master Trustee, subject to the provisions of the Liquidity Support Agreement. Repayments of draws under the Liquidity Support Agreement (the "Obligor Repayment Obligation") will constitute "Subordinated Indebtedness" of the Obligor as defined in the Master Indenture, will be evidenced by a Subordinate Note issued pursuant to the Master Indenture and will be subject to certain repayment restrictions. No repayment of such Subordinated Indebtedness to the Foundation may be made except as described in **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Limitation on Payments on Subordinated Indebtedness to Affiliates"** herein. See **"LIQUIDITY SUPPORT AGREEMENT"** herein.

THE ISSUER

The Issuer is the Tarrant County Cultural Education Facilities Finance Corporation, a Texas nonstock, nonprofit corporation created pursuant to the provisions of the Act in March 2003. The Act grants to the Issuer the same powers, authority and rights with respect to health facilities that a health facilities development corporation has with respect to health facilities described in the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended (the "Health Facilities Act"). Among other things, the Issuer is authorized under the Act and the Health Facilities Act to issue bonds and to lend the proceeds derived from the sale of such bonds to finance

and refinance the provision, expansion or improvement of health facilities located in the Sponsoring Entity or in other Texas jurisdictions.

The Issuer is governed by a board of directors, consisting of five members and two vacancies appointed by the Commissioners Court of Tarrant County, Texas (the "Sponsoring Entity"). The Issuer adopted a bond resolution on April 5, 2017, authorizing the issuance of the Bonds.

The Issuer, under the terms of the Health Facilities Act, has, among other powers, the power to make contracts and incur liabilities; to borrow money at such rates of interest as it may determine; to issue its bonds in accordance with the provisions of the Health Facilities Act; and to secure any of its bonds or obligations by mortgage or pledge of all or any of its property, franchises and income for the purpose of financing or refinancing all or a portion of the cost of any health facility (as defined in the Health Facilities Act).

The responsibility for the operation and use of the Project, including any additions or improvements thereto, rests entirely with the Obligor and not with the directors of the Issuer. The directors of the Issuer are not personally liable in any way for any act or omission committed or suffered in the performance of the functions of the Issuer.

Neither the Issuer nor the Sponsoring Entity has undertaken to review this Official Statement or has assumed any responsibility for the matters contained herein except solely as to matters relating to the Issuer. All findings and determinations by the Issuer and the Sponsoring Entity, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the Articles of Incorporation and Bylaws of the Issuer. Notwithstanding its approval of the Bonds for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), the Sponsoring Entity does not endorse or in any manner, directly or indirectly, guarantee or promise to pay the Bonds from any source of funds of the Sponsoring Entity or guarantee, warrant or endorse the creditworthiness or credit standing of the Obligor or in any manner guarantee, warrant or endorse the investment quality or value of the Bonds. The Bonds are payable solely as described in this Official Statement and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Issuer. By its issuance of the Bonds, the Issuer does not in any manner, directly or indirectly, guarantee, warrant or endorse the creditworthiness of the Obligor or the investment quality or value of the Bonds.

THE BONDS SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE OWNER THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE BONDS, AND WHICH SHALL BE USED FOR NO OTHER PURPOSE EXCEPT AS

EXPRESSLY AUTHORIZED IN THE BOND INDENTURE. THE BONDS SHALL NOT BE A DEBT OR INDEBTEDNESS OF THE SPONSORING ENTITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE SPONSORING ENTITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE ISSUER PLEDGED UNDER THE BOND INDENTURE. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE ISSUER, THE SPONSORING ENTITY, THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE LIABLE FOR PAYMENT OF THE BONDS (EXCEPT THE ISSUER FROM THE SOURCES IDENTIFIED HEREIN), NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR ASSETS OTHER THAN THOSE PLEDGED TO THAT PURPOSE BY THE ISSUER PURSUANT TO THE BOND INDENTURE. THE ISSUER HAS NO TAXING POWER.

ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE ISSUER OR THE SPONSORING ENTITY OR THEIR RESPECTIVE MEMBERS, COUNTY COMMISSIONERS OR OFFICERS HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, ANY OF THE BONDS OR FOR ANY CLAIM BASED THEREON OR UPON ANY OBLIGATION, PROVISION, COVENANT OR AGREEMENT CONTAINED IN THE BOND INDENTURE OR ANY OTHER ISSUER DOCUMENT, AGAINST ANY PAST, PRESENT OR FUTURE OFFICER, OFFICIAL, COUNTY COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER OR THE SPONSORING ENTITY, OR ANY OFFICER, OFFICIAL, COUNTY COMMISSIONER, EMPLOYEE OR AGENT OF ANY SUCCESSOR TO THE ISSUER OR THE SPONSORING ENTITY, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICER, OFFICIAL, COUNTY COMMISSIONER, EMPLOYEE OR AGENT AS SUCH IS EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION OF THE BOND INDENTURE AND THE ISSUANCE OF ANY OF THE BONDS. THE ISSUER HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT, EXCEPT THE STATEMENTS UNDER THIS HEADING AND UNDER THE HEADING "LITIGATION - Issuer" IN RESPECT OF THE ISSUER, AND EXCEPT AS AFORESAID, THE ISSUER IS NOT RESPONSIBLE FOR ANY STATEMENTS MADE HEREIN. ACCORDINGLY,

EXCEPT AS AFORESAID, THE ISSUER DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURE SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE, AND DISTRIBUTION OF THE BONDS.

THE OBLIGOR AND AFFILIATED ENTITIES

The Obligor received a determination letter, dated November 14, 2014, from the Internal Revenue Service (the "IRS") that it is exempt from federal income taxation as provided in Section 501(a) of the Code, by virtue of its status as an organization described in Section 501(c)(3) of the Code. The Obligor is the sole member of the Obligated Group and is the Obligated Group Representative.

The Obligor was formed in December of 2012 by its sole member, Buckner Retirement Services, Inc. ("BRS"), to develop and operate the Community, and to expand BRS' mission of providing quality housing, health care services and other programs to senior citizens. BRS, a Texas nonprofit corporation, is exempt from federal income taxation under Section 501(a) of the Code by virtue of being a charitable organization described in Section 501(c)(3) of the Code, and is a member of a group of affiliated corporations, the parent of which is Buckner International ("BI"). The Obligor and the hereinafter described Affiliated Entities are separate corporate entities, and, except as set forth in the Liquidity Support Agreement, no guarantees or other conditions of support exist between or among the Obligor and the Affiliated Entities. **The Affiliated Entities are not a part of the Obligated Group and are not obligated to pay debt service on the Series 2017 Notes or the Bonds.**

Buckner International. BI, a Texas nonprofit organization originally established in 1879 under the name Buckner Orphan's Home, offers an array of charitable services to children, families and senior adults. BI is exempt from federal income taxation under Section 501(a) of the Code by virtue of being a charitable organization described in Section 501(c)(3) of the Code and is the sole member of BRS. Until the formation of BRS in 1994, BI delivered housing and services to the elderly for over 40 years through its retirement services division. In 1994, BI formed or activated four affiliated Texas nonprofit corporations, including BRS, to legally separate the operations of several divisions of BI and to permit better accounting for the different services offered by those divisions. In addition to BRS, the other activated affiliates were Buckner Foundation, Inc. (the "Foundation"), Buckner Children and Family Services, Inc. ("Family Services") and Buckner Adoption and Maternity Services, Inc. ("Maternity Services").

Buckner Retirement Services. BRS currently owns four retirement communities and provides management services to five retirement communities throughout the state of Texas (all of which are affiliates of BRS) which currently include a total of 723 independent living units, 138 assisted living units, 135 memory support units and 326 skilled nursing beds. BRS will also provide management services to the Community

upon its completion. In addition to the Obligor, BRS is also the sole member of Baptist Memorials Ministries ("Baptist Memorials" and collectively with BI, BRS, the Foundation, Family Services and Maternity Services, the "Affiliated Entities"), a Texas nonprofit corporation, which currently owns and operates an existing senior living facility in Texas.

The Foundation. The Foundation is organized to support and benefit the activities and purposes of BI and its affiliates, including making cash distributions to BI and its affiliates as required. The Foundation is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code. Pursuant to the Liquidity Support Agreement, the Foundation has agreed to provide liquidity support to the Project and the Obligor in the amount of \$10,000,000, subject to adjustment. The initial deposit by the Foundation to the Liquidity Support Account will be \$2,000,000 and will be made on March 1, 2019. **THE FOUNDATION IS NOT OBLIGATED WITH RESPECT TO THE REPAYMENT OF THE BONDS OTHER THAN WITH RESPECT TO THE COMMITMENT OF THE FOUNDATION UNDER THE LIQUIDITY SUPPORT AGREEMENT. SEE "LIQUIDITY SUPPORT AGREEMENT" HEREIN FOR ADDITIONAL INFORMATION.**

Additional information regarding the Obligor and each of the Affiliated Entities is included in **APPENDIX A** hereto and **APPENDIX B** hereto.

THE COMMUNITY

General

The Community, a senior living community to be known as Ventana and owned by the Obligor, will be constructed on the Project Site. The Project Site is located on a tract of land consisting of approximately 3.08 acres located on at the southwest corner of Northwest Highway and North Central Expressway (US Hwy 75) in Dallas, Texas. Conveniences important to seniors including shopping, pharmacies, grocery stores, gas stations, banks, restaurants and a retail mall, NorthPark Center, are located near the Project Site. Additionally, there are numerous medical clinics, including family practice and specialty services, and several hospital systems located within a few miles of the Project Site.

The Community is planned to consist of two 12-story towers containing 189 independent living units (the "Independent Living Units"), 38 assisted living units (the "Assisted Living Units"), 26 memory support assisted living units (the "Memory Support Units") and 72 skilled nursing beds (the "Skilled Nursing Beds"), which consists of 48 long-term beds and 24-short-term beds. Independent living common areas of the

Community will include a grand hall multi-purpose space, a wellness center and indoor pool, library, TV/media room, art and activity spaces, three distinct dining venues with outdoor spaces and a sky lounge on the top floor of the south tower. Once constructed, the Community will have by 54 surface parking spaces and 284 sub-surface parking spaces underneath the towers.

The 189 Independent Living Units in the Community will be offered in one, two and three-bedroom configurations in 26 distinct unit designs. The independent living common areas have been designed to provide convenient access to all dining, fitness, activity, and social gathering spaces from the two towers. Each Independent Living Unit will be furnished with options for floor coverings, cabinets, and countertops; window treatments; standard appliances; an emergency call system; fire sprinkler system; and a cable/telephone/data communication ports. All utilities, except telephone and expanded cable television services are included in the monthly service fee.

The 38 Assisted Living Units in the Community have been designed to foster the continued independence of persons who require varying amounts of assistance with activities of daily living. The Assisted Living Units will be private apartments with kitchenettes and full baths and will be furnished with amenities similar to the Independent Living Units, but do not include the kitchen range, dishwasher, or washer and dryer. The Assisted Living common areas will include a living room, library, main dining room, fitness room, activity room, several balconies, and administrative and support areas.

The 26 Memory Support Units in the Community will be private units with full baths and will be furnished with amenities similar to the Assisted Living Units, but without kitchenettes. The Memory Support Units will have separate common areas including a dining room, a living room, activity space, and a secured memory support garden area.

The Community will also include 72 Skilled Nursing Beds composed of 48 long-term care beds situated into four separate neighborhoods and 24 short-term rehabilitation beds. The design of each long-term care neighborhood features a separate residential-style entrance, dining and living rooms, open kitchen available for resident activities, outdoor space, and activity space. The area containing the 24 short-term rehabilitation beds features a rehabilitation gym, physical/occupational therapy space, dining and living rooms, activity areas, and a separate entrance.

See **"THE OBLIGOR AND THE COMMUNITY"** in **APPENDIX A** hereto for more information related to the Project and the Community.

Development and Management of the Community

The Obligor has entered into a development consulting services agreement (the "Development Consulting Agreement"), effective December 2013 with Greenbrier Development LLC (the "Development Consultant") to provide development consulting services during the planning and development of the Community. Pursuant to the Development Consulting Agreement, the Development Consultant's role is to provide certain professional and consulting services related to the planning and development of the Community. In addition, the Obligor has entered into a development services agreement and management services agreement with BRS to provide certain development and management related services, respectively, to the Obligor. See **"DEVELOPMENT OF THE COMMUNITY"** and **"BUCKNER RETIREMENT SERVICES"** in **APPENDIX A** hereto for more information regarding the development of the Project and the management of the Community.

The Construction Manager and the Construction Contract

The Obligor has entered into a guaranteed maximum price construction contract (the "Construction Contract") for the Project with The Whiting-Turner Contracting Company (the "Construction Manager"). Founded in 1909, the Construction Manager is headquartered in Baltimore, Maryland and has 31 offices throughout the United States. The Construction Manager provides construction management, general contracting, and design-build services in many market segments including continuing care facilities. The Construction Contract provides for a guaranteed maximum price of \$136,051,064, which includes a contractor's construction contingency equal to approximately \$1,938,000 and approximately \$667,000 for payment and performance bonds and \$1,008,000 for general liability insurance. In addition, an owner held construction contingency equal to approximately \$4,095,000 and other miscellaneous costs of approximately \$2,880,000 are included in the construction costs which are not included in the guaranteed maximum price. The Construction Contract requires the Construction Manager to obtain payment and performance bonds payable to the Obligor for completion of the Project. The Construction Contract requires the Construction Manager to substantially complete construction of the Project within the following construction periods: (i) health care levels and independent living common areas within 729 calendar days (approximately 24 months); and (ii) the Independent Living Units within 762 calendar days (approximately 25 months). In the event the Construction Manager does not substantially complete the Project within the specified construction period, the Construction Manager will be liable for liquidated damages for each day of delay past the required date of substantial completion. Adjustment for allowances, change orders or other circumstances could result in the maximum price exceeding that established by the Construction Contract. Further information regarding the Construction Manager and the Construction Contract is included in **APPENDIX A** attached hereto in the sections entitled **"OTHER**

PROFESSIONAL SERVICES - The Construction Manager," "- The Construction Contract" and "- Construction Schedule and Liquidated Damages."

The Construction Consultant

To assist it in monitoring construction of the Project, the Obligor has retained zumBrunnen, Inc. (the "Construction Consultant"). The Construction Consultant was founded in 1989 to provide construction consulting and capital budgeting expertise across multiple industries with specific focus towards senior living. The Construction Consultant offers a variety of services to facilitate the pre-closing process and construction of commercial, not-for-profit and institutional properties. The Construction Consultant's consulting services are enlisted by owners, lending institutions, life companies, equity partners, asset managers, and real estate developers nationwide who want advice to improve their product and strengthen their real estate position in local, regional and national markets. The Construction Consultant is providing the following services for the Project: qualify project scope and construction capability; verify budgets and sufficiency of funds; review drawings, specifications and permits; facilitate regular site inspection meetings; monitor quality control procedures and compliance; approve construction contract payments and change orders; identify action items and track through completion; monitor critical path schedule; provide comprehensive reports and digital photo documentation and review and approve construction progress, requisitions and change orders on a monthly basis through the Project's construction period. Further information regarding the Construction Consultant is included in **APPENDIX A** in the section entitled "**OTHER PROFESSIONAL SERVICES - The Construction Consultant**" attached hereto.

Property Tax Exemption

The Obligor has filed an application for a property tax exemption with the Dallas Central Appraisal District ("DCAD"). This application for property tax exemption is based upon a provision in Chapter 11 of the Texas Property Tax Code wherein certain organizations are exempt from property taxes if, among other requirements, they provide charity care in an amount equal to or greater than 4.0% of their annual net patient revenues. The Obligor has included the expenses associated with the provision of this charity care in management's financial forecast included with the Financial Feasibility Study attached as **APPENDIX B** hereto. The exemption does not require an annual application, however if additional property is acquired, a new application would be required. See "**RISK FACTORS - Property Tax Exemption**" herein for a discussion of potential effects if the application is denied or an appeal of such denial is unsuccessful.

ESTIMATED SOURCES AND USES OF FUNDS*

The estimated sources and uses of funds in connection with the issuance of the Bonds and the construction of the Project are as follows:

SOURCES OF FUNDS

| | |
|---------------------------------------|-----------------------------|
| Series 2017A Bonds | \$152,235,000 |
| Series 2017B-1 Bonds | 22,250,000 |
| Series 2017B-2 Bonds | 22,250,000 |
| Series 2017B-3 Bonds | 38,250,000 |
| Taxable Series 2017C Bonds | 3,395,000 |
| Net Original Issue Premium (Discount) | - |
| Total Bond Proceeds | <u>\$238,380,000</u> |
| Resident Entrance Fees ⁽¹⁾ | <u>30,500,000</u> |
| Total Sources of Funds | <u><u>\$268,880,000</u></u> |

USES OF FUNDS

| | |
|---|-----------------------------|
| Construction and Other Costs ⁽²⁾ | \$180,391,688 |
| Funded Interest ⁽³⁾ | 35,930,556 |
| Debt Service Reserve Fund ⁽⁴⁾ | |
| Series 2017A Bonds | 12,514,728 |
| Series 2017B-1 Bonds | 1,195,938 |
| Series 2017B-2 Bonds | 1,195,938 |
| Series 2017B-3 Bonds | 2,055,938 |
| Taxable Series 2017C Bonds | 182,481 |
| Working Capital Fund ⁽¹⁾ | 24,000,000 |
| Operating Reserve Fund ⁽¹⁾ | 6,500,000 |
| Costs of Issuance ⁽⁵⁾ | <u>4,912,733</u> |
| Total Uses of Funds | <u><u>\$268,880,000</u></u> |

* Preliminary, subject to change.

- (1) Represents the estimated amount of Initial Entrance Fees (as defined in the Master Indenture) from residents anticipated to be deposited in the Working Capital Fund and the Operating Reserve Fund and used to fund certain start-up losses and operating reserves.
- (2) Includes the repayment of certain interim debt incurred for costs of the Community prior to the issuance of the Series 2017 Bonds.
- (3) Management estimates, based on information provided by the Underwriter, that this amount of bond proceeds and interest earnings on other trustee held funds would be used to fund interest on the Series 2017 Bonds for approximately 31 months.
- (4) Debt Service Reserve Funds are to be established at closing in an amount equal to (a) Maximum Annual Debt Service on the Series 2017A Bonds (excluding the year of stated final maturity), (b) one year's interest on the Series 2017B Bonds, and (c) one year's interest on the Taxable Series 2017C Bonds.
- (5) Management estimates, based on information provided by the Underwriter, that bond issuance costs would approximate this amount and would include legal fees, accounting fees, underwriter's fee, and other costs associated with the issuance of the Series 2017 Bonds.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS*

The following table sets forth the estimated amounts required for the payment of principal of the Series 2017A Bonds at maturity or by mandatory sinking fund redemption and for the anticipated payment of principal of the other Bonds from anticipated Initial Entrance Fees in compliance with the requirements of the Master Indenture and for the payment of interest on the Bonds for each Bond Year ending November 15. In addition, pursuant to the relevant provisions of the Master Indenture, the Obligated Group anticipates prepaying the Taxable Series 2017C Bonds, the Series 2017B-3 Bonds, the Series 2017B-2 Bonds, and the Series 2017B-1 Bonds (in that order) from Initial Entrance Fees prior to their stated maturity. The actual timing of the prepayment of the Taxable Series 2017C Bonds, the Series 2017B-3 Bonds, the Series 2017B-2 Bonds and the Series 2017B-1 Bonds may differ from the assumptions below because of timing differences in the actual receipt of Initial Entrance Fees.

| Bond Year Ending November 15 | Series 2017A Bonds | | Series 2017B-1 Bonds | | Series 2017B-2 Bonds | | Series 2017B-3 Bonds | | Taxable Series 2017C Bonds | | Total Debt Service |
|------------------------------------|--------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|-------------------------------|----------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2017 | | | | | | | | | | | |
| 2018 | | | | | | | | | | | |
| 2019 | | | | | | | | | | | |
| 2020 | | | \$ 4,010,000 | | \$22,500,000 | | \$38,250,000 | | \$2,145,000 | | |
| 2021 | | | 18,240,000 | | | | | | 1,250,000 | | |
| 2022 | | | | | | | | | | | |
| 2023 | | | | | | | | | | | |
| 2024 | \$ 735,000 | | | | | | | | | | |
| 2025 | 1,680,000 | | | | | | | | | | |
| 2026 | 1,800,000 | | | | | | | | | | |
| 2027 | 1,930,000 | | | | | | | | | | |
| 2028 | 2,065,000 | | | | | | | | | | |
| 2029 | 2,215,000 | | | | | | | | | | |
| 2030 | 2,375,000 | | | | | | | | | | |
| 2031 | 2,540,000 | | | | | | | | | | |
| 2032 | 2,725,000 | | | | | | | | | | |
| 2033 | 2,920,000 | | | | | | | | | | |
| 2034 | 3,125,000 | | | | | | | | | | |
| 2035 | 3,350,000 | | | | | | | | | | |
| 2036 | 3,590,000 | | | | | | | | | | |
| 2037 | 3,850,000 | | | | | | | | | | |
| 2038 | 4,125,000 | | | | | | | | | | |
| 2039 | 4,420,000 | | | | | | | | | | |
| 2040 | 4,735,000 | | | | | | | | | | |
| 2041 | 5,070,000 | | | | | | | | | | |
| 2042 | 5,435,000 | | | | | | | | | | |
| 2043 | 5,825,000 | | | | | | | | | | |
| 2044 | 6,240,000 | | | | | | | | | | |
| 2045 | 6,685,000 | | | | | | | | | | |
| 2046 | 7,165,000 | | | | | | | | | | |
| 2047 | 7,675,000 | | | | | | | | | | |
| 2048 | 8,225,000 | | | | | | | | | | |
| 2049 | 8,815,000 | | | | | | | | | | |
| 2050 | 9,445,000 | | | | | | | | | | |
| 2051 | 10,120,000 | | | | | | | | | | |
| 2052 | 23,355,000 | | | | | | | | | | |
| Total | \$152,235,000 | \$ - | \$22,250,000 | \$ - | \$22,250,000 | \$ - | \$38,250,000 | \$ - | \$3,395,000 | \$ - | \$ - |

* Totals may not add due to rounding.

THE BONDS

General

Specific information about each series of Bonds, unique to that series, is contained in the applicable section below. Information about security for the Bonds is contained in "SECURITY FOR THE BONDS" herein.

The Bonds provide that no recourse under any obligation, covenant or agreement contained in the Bond Indenture, or in any Bond, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Bond Indenture, will be had against any past, present or future director, incorporator, agent, representative, member, officer or employee of the Issuer, as such, either directly or through the Issuer, for the payment for or to the Issuer or for or to the registered owner of any Bond, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds and, as a material part of the consideration for the issue of the Bonds, expressly waived and released.

Payment of Principal and Interest. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the Payment Office of the Bond Trustee, or at the designated corporate trust office of its successor, upon presentation and surrender of the Bonds. Payment of interest on any Bond shall be made to the person who is the registered owner thereof at the close of business on the Regular Record Date for such Interest Payment Date by check mailed by the Bond Trustee on such Interest Payment Date to such registered owner at his or her address as it appears on the registration records kept by the Bond Trustee or by wire transfer of same day funds upon receipt by the Bond Trustee prior to the Regular Record Date of a written request by a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner of such Bond at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Bond Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the Bonds not less than ten days prior thereto by first class postage prepaid mail to each such registered owner as shown on the registration records, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed upon between the owners of any Bonds and the Bond Trustee. All such payments shall be made in lawful money of the United States of America.

Notwithstanding the foregoing, payments of the principal of and interest on any Bonds that are subject to the book entry system shall be made in accordance with the rules, regulations and procedures established by the securities depository in connection with the book entry system.

Transfers and Exchanges; Persons Treated as Owners. The Bonds are exchangeable for an equal aggregate principal amount of fully registered Bonds of the same maturity of other authorized denominations at the designated office of the Bond Trustee but only in the manner and subject to the limitations and on payment of the charges provided in the Bond Indenture.

The Bonds are fully transferable by the registered owner in person or by his or her duly authorized attorney on the registration books kept at the principal office of the Bond Trustee upon surrender of the Bond together with a duly executed written instrument of transfer satisfactory to the Bond Trustee. Upon such transfer a new fully registered Bond of authorized denomination or denominations for the same aggregate principal amount and maturity will be issued to the transferee in exchange herefor, all upon payment of the charges and subject to the terms and conditions set forth in the Bond Indenture.

The Bond Trustee will not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or any portion thereof for redemption has been given as herein provided, nor during the period beginning at the opening of business 15 days before the day of mailing by the Bond Trustee of a notice of prior redemption and ending at the close of business on the day of such mailing except for Bondholders of \$1,000,000 or more in aggregate principal amount of Bonds.

The Issuer and the Bond Trustee may deem and treat the person in whose name the Bond is registered as the absolute owner thereof for the purpose of making payment (except to the extent otherwise provided hereinabove and in the Bond Indenture with respect to Regular and Special Record Dates for the payment of interest) and for all other purposes, and neither the Issuer nor the Bond Trustee will be affected by any notice to the contrary.

So long as DTC acts as securities depository for the Bonds, as described in **APPENDIX E** hereto, all references herein to "Owner," "owner," "Holder" or "holder" of any Bonds or to "Bondowner," "Bondholder," "bondowner" or "bondholder" are deemed to refer to Cede & Co., as nominee for DTC, and not to Participants, Indirect Participants or Beneficial Owners (as defined herein).

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

The Series 2017A Bonds

The information in this section applies only to the Series 2017A Bonds.

The Series 2017A Bonds will be issued only in fully registered form without coupons in the denominations of \$5,000 and any integral multiple thereof. The Series 2017A Bonds will be dated and will accrue interest from the date of delivery, except as otherwise provided in the Bond Indenture. The Series 2017A Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the rates set forth on the inside cover hereof, payable semiannually on May 15 and November 15 of each year, commencing November 15, 2017 (each, an "Interest Payment Date"), and mature on the dates set forth on the inside cover page hereof.

Optional Redemption of Series 2017A Bonds. The Series 2017A Bonds maturing on November 15, 20__ are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on _____, 20__, or on any Interest Payment Date thereafter, at a redemption price equal to the principal amount of such Series 2017A Bonds to be redeemed, together with accrued interest to the date of redemption.

The Series 2017A Bonds maturing after November 15, 20__ are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on November 15, 20__, or on any date thereafter, at a redemption price equal to the principal amount of such Series 2017A Bonds to be redeemed, together with accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption of Series 2017A Bonds. The Series 2017A Bonds maturing on November 15, 20__ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Series 2017A Bonds maturing on November 15, 20__, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on November 15 of each of the following years (after credit as provided below) the following principal amounts of Series 2017A Bonds maturing on November 15, 20__, plus accrued interest to the redemption date:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| | \$ |

*

*maturity

The Series 2017A Bonds maturing on November 15, 20____ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Series 2017A Bonds maturing on November 15, 20____, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on November 15 of each of the following years (after credit as provided below) the following principal amounts of Series 2017A Bonds maturing on November 15, 20____, plus accrued interest to the redemption date:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| | \$ |

*

*maturity

The Series 2017A Bonds maturing on November 15, 20____ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Series 2017A Bonds maturing on November 15, 20____, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on November 15 of each of the following years (after credit as provided below) the following principal amounts of Series 2017A Bonds maturing on November 15, 20____, plus accrued interest to the redemption date:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| | \$ |

*

*maturity

The Series 2017A Bonds maturing on November 15, 20___ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Series 2017A Bonds maturing on November 15, 20___, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on November 15 of each of the following years (after credit as provided below) the following principal amounts of Series 2017A Bonds maturing on November 15, 20___, plus accrued interest to the redemption date:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| | \$ |

*

*maturity

The Obligor may reduce the principal amount of the Series 2017A Bonds of the maturity so required to be redeemed on any such date by the principal amount of the Series 2017A Bonds of such maturity either (i) purchased by or on behalf of the Obligor and surrendered to the Bond Trustee for cancellation not later than forty-five days prior to the redemption date; or (ii) redeemed other than through sinking fund redemption and cancelled by the Bond Trustee not later than forty-five days prior to the redemption date, which in either case have not been previously made the basis for a reduction of the principal amounts of the Series 2017A Bonds to be redeemed by operation of the sinking fund redemption. Any excess will be credited against the next sinking fund redemption obligation to redeem Series 2017A Bonds.

The Series 2017B Bonds

The information in this section applies only to the Series 2017B Bonds.

The Series 2017B Bonds will be issued only in fully registered form without coupons in the denominations of \$5,000 and any integral multiple thereof. The Series 2017B Bonds will be dated and will accrue interest from the date of delivery, except as otherwise provided in the Bond Indenture. The Series 2017B Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the rate set forth on the inside cover hereof, payable semiannually on May 15 and November 15 of each year, commencing November 15, 2017 (each, an "Interest Payment Date"), and mature on the dates set forth on the inside cover page hereof.

Optional Redemption of Series 2017B-1 Bonds. The Series 2017B-1 Bonds are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on _____ 15, 20____, or on any date thereafter, at a redemption price equal to the principal amount of such Series 2017B-1 Bonds to be redeemed, together with accrued interest to the date of redemption.

Optional Redemption of Series 2017B-2 Bonds. The Series 2017B-2 Bonds are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on _____ 15, 20____, or on any date thereafter, at a redemption price equal to the principal amount of such Series 2017B-2 Bonds to be redeemed, together with accrued interest to the date of redemption.

Optional Redemption of Series 2017B-3 Bonds. The Series 2017B-3 Bonds are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on _____ 15, 20____, or on any date thereafter, at a redemption price equal to the principal amount of such Series 2017B-3 Bonds to be redeemed, together with accrued interest to the date of redemption.

Mandatory Entrance Fee Redemption. The Taxable Series 2017C Bonds and the Series 2017B Bonds are also subject to mandatory redemption on the fifteenth day of each month at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date to the extent moneys are on deposit in the Entrance Fee Redemption Account of the Bond Fund as provided in the Bond Indenture. The Taxable Series 2017C Bonds shall be redeemed first, then the Series 2017B-3 Bonds shall be redeemed, then the Series 2017B-2 Bonds shall be redeemed, then the Series 2017B-1 Bonds shall be redeemed.

The Taxable Series 2017C Bonds

The information in this section applies only to the Taxable Series 2017C Bonds.

The Taxable Series 2017C Bonds will be issued only in fully registered form without coupons in the denominations of \$5,000 and any integral multiple thereof. The Taxable Series 2017C Bonds will be dated and will accrue interest from the date of delivery, except as otherwise provided in the Bond Indenture. The Taxable Series 2017C Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the rate set forth on the inside cover hereof, payable semiannually on May 15 and November 15 of each year, commencing November 15, 2017 (each, an "Interest Payment Date"), and mature on the dates set forth on the inside cover page hereof.

Optional Redemption of Taxable Series 2017C Bonds. The Taxable Series 2017C Bonds are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on _____ 15, 20____, or on any date

thereafter, at a redemption price equal to the principal amount of such Taxable Series 2017C Bonds to be redeemed, together with accrued interest to the date of redemption.

Mandatory Entrance Fee Redemption. The Taxable Series 2017C Bonds and the Series 2017B Bonds are also subject to mandatory redemption on the fifteenth day of each month at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date to the extent moneys are on deposit in the Entrance Fee Redemption Account of the Bond Fund as provided in the Bond Indenture. The Taxable Series 2017C Bonds shall be redeemed first, then the Series 2017B-3 Bonds shall be redeemed, then the Series 2017B-2 Bonds shall be redeemed, then the Series 2017B-1 Bonds shall be redeemed.

Extraordinary Optional Redemption

The Bonds will be subject to optional redemption by the Issuer at the direction of the Obligor prior to their scheduled maturities, in whole or in part at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date on any date following the occurrence of any of the following events:

(a) in case of damage or destruction to, or condemnation of, any property, plant, and equipment of any Obligated Group Member, to the extent that the net proceeds of insurance or condemnation award exceed the Threshold Amount (as defined in the Master Indenture), and the Obligor has determined not to use such net proceeds or award to repair, rebuild or replace such property, plant, and equipment; or

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

Mandatory Redemption from Surplus Construction Fund Moneys

The Bonds are subject to mandatory redemption in whole or in part on any date for which timely notice of redemption can be given by the Bond Trustee following a Completion Date at a redemption price equal to the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, without premium, to the extent Surplus Construction Fund Moneys are transferred to the Principal Account of the Bond Fund.

Partial Redemption

In the event that less than all of the Bonds or portions thereof are to be redeemed, Bonds to be optionally redeemed will be selected first, from any Outstanding Taxable Series 2017C Bonds, then from any Outstanding Series 2017B-3 Bonds, then from any Outstanding Series 2017B-2 Bonds, then from any Outstanding Series 2017B-1 Bonds, and then from any Outstanding Series 2017A Bonds.

In the event that less than all of the Bonds or portions thereof of a particular series are to be redeemed, the Obligor may select the particular maturities to be redeemed. If less than all Bonds or portions thereof of a single maturity are to be redeemed, they will be selected by DTC or by lot in such manner as the Bond Trustee may determine.

If a Bond is of a denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed, but Bonds will be redeemed only in the principal amount of an Authorized Denomination and no Bond may be redeemed in part if the principal amount to be Outstanding following such partial redemption is not an Authorized Denomination.

Notice of Redemption

In case of every redemption, the Bond Trustee will cause notice of such redemption to be given by mailing by first-class mail, postage prepaid, a copy of the redemption notice to the owners of the Bonds designated for redemption in whole or in part, at their addresses as the same will last appear upon the registration books, in each case not more than 60 nor less than 30 days prior to the redemption date. In addition, notice of redemption will be sent by first class or registered mail, return receipt requested, or by overnight delivery service (1) contemporaneously with such mailing: (A) to any owner of \$1,000,000 or more in principal amount of the Bonds, and (B) to at least two or more information services of national recognition that disseminate redemption information with respect to municipal bonds; and (2) to any securities depository registered as such pursuant to the Securities Exchange Act of 1934, as amended, that is an owner of the Bonds to be redeemed so that such notice is received at least two days prior to such mailing date. An additional notice of redemption will be given by certified mail, postage prepaid, mailed not less than 60 nor more than 90 days after the redemption date to any owner of the Bonds selected for redemption that has not surrendered the Bonds called for redemption, at the address as the same will last appear upon the registration books.

If at the time of mailing of notice of any optional redemption of all or a portion of the Bonds of a series the Obligor shall not have deposited with the Bond Trustee moneys sufficient to redeem all of the Bonds of such series called for redemption, such notice may state that it is conditional in that it is subject to the deposit of moneys with the Bond

Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Failure to give any such notice, or any defect therein, will not affect the validity of any proceedings for the redemption of such Bonds.

Purchase in Lieu of Redemption

In lieu of optionally redeeming the Bonds, the Bond Trustee may, at the request of the Obligor, use such funds deposited by the Obligor with the Bond Trustee or otherwise available under the Bond Indenture for redemption of Bonds to purchase Bonds in lieu of redemption at a price not exceeding the redemption price then applicable. No notice of the purchase in lieu of redemption will be required to be given to Bondholders (other than the notice of redemption otherwise required for such Bonds).

SECURITY FOR THE BONDS

General

Each series of Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee, (1) the Series 2017 Notes, (2) certain rights of the Issuer under the Loan Agreement, (3) the funds and accounts (excluding the Rebate Fund), including the money and investments in such funds, which the Bond Trustee holds under the terms of the Bond Indenture, and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2017 Notes.

The proceeds of each series of the Bonds will be loaned to the Obligor, and the obligation of the Obligor to repay that loan will be evidenced by the Series 2017 Notes issued pursuant to, and entitled to the benefit and security of, the Master Indenture.

Limited Obligations

The Bonds of each series and the interest thereon are limited obligations of the Issuer, payable solely from and secured exclusively by certain payments to be made by the Obligor under the Loan Agreement and certain other funds held by the Bond Trustee under the Bond Indenture and not from any other fund or source of the Issuer.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING THE SPONSORING ENTITY, WILL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND

CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Debt Service Reserve Fund for the Bonds

The Bond Indenture creates and establishes with the Bond Trustee a Reserve Fund (the "Reserve Fund") with respect to the Bonds. Moneys on deposit in the separate accounts of the Reserve Fund will be used to provide a reserve for the payment of the principal of and interest on the related series of Bonds. See **"THE BOND INDENTURE - Reserve Fund"** in **APPENDIX C** hereto.

The Bond Indenture creates within the Reserve Fund three separate Reserve Accounts: (i) the Series 2017A Reserve Account, (ii) the Series 2017B Reserve Account, and (iii) the Taxable Series 2017C Reserve Account. Moneys on deposit in the Series 2017A Reserve Account will be used solely to provide a reserve for the payment of the principal of and interest on the Series 2017A Bonds. Moneys on deposit in the Series 2017B Reserve Account will be used solely to provide a reserve for the payment of the principal of and interest on the Series 2017B Bonds. Moneys on deposit in the Taxable Series 2017C Reserve Account will be used solely to provide a reserve for the payment of the principal of and interest on the Taxable Series 2017C Bonds.

Payments into the Reserve Fund. Pursuant to the Bond Indenture and the Loan Agreement, the Series 2017A Reserve Account is required to be funded in an amount equal to the Maximum Annual Debt Service on the Series 2017A Bonds (excluding the year of stated final maturity), the Series 2017B Reserve Account is required to be funded in an amount equal to one year's interest on the Series 2017B Bonds and the Taxable Series 2017C Reserve Account is required to be funded in an amount equal to one year's interest in the Taxable Series 2017C Bonds.

In addition to the deposits required by the Bond Indenture, there will be deposited into the appropriate Reserve Account of the Reserve Fund any Reserve Fund Obligations delivered by the Obligor to the Bond Trustee pursuant to the Loan Agreement. In addition, there will be deposited into the appropriate Reserve Account of the Reserve Fund all moneys required to be transferred thereto pursuant to the Bond Indenture, and all other moneys received by the Bond Trustee when accompanied by directions that such moneys are to be paid into such Reserve Account of the Reserve Fund. There will also be retained in each Reserve Account of the Reserve Fund all interest and other income received on investments of Reserve Fund moneys in such Reserve Account to the extent provided in the Bond Indenture.

In the event the value of the Reserve Fund Obligations on deposit in any Reserve Account of the Reserve Fund is less than 90% of the Reserve Fund Requirement for such Reserve Account, the Obligor has agreed pursuant to the Loan Agreement to deposit additional Reserve Fund Obligations in an amount sufficient to satisfy the Reserve Fund Requirement for such Reserve Account, such amount to be deposited within 120 days of receipt of written notice from the Bond Trustee of such deficiency.

Use of Moneys in the Reserve Fund. Except as provided in the Bond Indenture, moneys in each Reserve Account in the Reserve Fund will be used solely for the payment of the principal of and interest on Bonds of the related series in the event moneys in the Bond Fund and the Funded Interest Account are insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise.

Effect of Event of Default. Upon the occurrence of an Event of Default of which the Bond Trustee is deemed to have notice under the Bond Indenture and the election by the Bond Trustee of the remedy specified in the Bond Indenture, any Reserve Fund Obligations in the Reserve Fund will, subject to the provisions of the Bond Indenture, be transferred by the Bond Trustee to the Principal Account and applied in accordance with the provisions of the Bond Indenture. In the event of the redemption of any series of Bonds, any Reserve Fund Obligations on deposit in the applicable Reserve Account of the Reserve Fund in excess of the Reserve Fund Requirement on the Bonds of such series to be Outstanding immediately after such redemption may, subject to the provisions of the Bond Indenture, be transferred to the Principal Account and applied to the payment of the principal of the series of Bonds to be redeemed. On May 15 and November 15 in each year, any earnings on the Reserve Fund Obligations on deposit in a Reserve Account of the Reserve Fund that are in excess of the Reserve Fund Requirement for such Reserve Account will be transferred during the construction period for the Project into the Funded Interest Account of the Construction Fund created in connection with the issuance of Bonds for the Project or, if after the completion of such construction period, into the Interest Account of the Bond Fund for the Bonds.

Remaining Funds. On the final maturity date or redemption date of any series of Bonds, any moneys in the related Reserve Account of the Reserve Fund relating to such series of Bonds may be used to pay the principal of, premium, if any, and interest on such series of Bonds on the final maturity date or redemption date of that series.

The Loan Agreement

Under the Loan Agreement, the Obligor is required duly and punctually to pay the principal of, premium, if any, and interest on the Bonds, and to make payments to the Bond Trustee to maintain the separate accounts in the Reserve Fund at the required amount and to make certain other payments. See "**THE LOAN AGREEMENT**" in **APPENDIX C** hereto.

The Master Indenture

The Master Indenture is intended to provide assurance for the repayment of obligations entitled to its benefits by imposing financial and operating covenants which restrict the Obligor and any other future Obligated Group Members and by the appointment of the Master Trustee to enforce such covenants for the benefit of the holders of such obligations. The Series 2017 Notes and the Subordinate Notes are the only Obligations presently entitled to the benefits of the Master Indenture. The holders of all Obligations (other than Subordinate Obligations) are entitled to the benefit of the Master Indenture and will be on a parity with respect to the benefits of the Master Indenture. Pursuant to the Master Indenture, the Obligor and any future Obligated Group Members have pledged and granted to the Master Trustee (a) a lien on the Mortgaged Property, including, without limitation, all buildings, structures, fixtures, additions, enlargements, extensions, improvements, modifications or repairs now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the Obligor, (b) a security interest in all personal property owned or hereafter acquired by the Obligated Group, (c) a security interest in all the Gross Revenues of the Obligated Group, with certain limited exceptions, (d) a security interest in the funds established under the Master Indenture, and (e) a security interest in any other property from time to time subjected to the lien of the Master Indenture. See **"THE MASTER INDENTURE"** in **APPENDIX C**. See **"RISK FACTORS - Liquidation of Security May Not be Sufficient in the Event of a Default."**

The Series 2017 Notes will constitute joint and several obligations of each Obligated Group Member, and the Series 2017 Notes will be secured on a parity basis with any other Obligations (other than Subordinate Obligations) hereafter issued under the Master Indenture by a lien on the trust estate pledged thereunder, which includes the Project and the Gross Revenues of the Obligated Group.

Currently, only the Obligor and the Master Trustee are parties to the Master Indenture, and the Obligor is the only Obligated Group Member. The Obligor and each Obligated Group Member that may be admitted in the future will be jointly and severally liable for the payment for all Obligations entitled to the benefits of the Master Indenture and will be subject to the financial and operating covenants thereunder. See **"THE MASTER INDENTURE - Admission of Obligated Group Members"** and **"Withdrawal of Obligated Group Members"** in **APPENDIX C** for a description of the limitations on admission and release of Obligated Group Members.

THE OBLIGOR IS THE SOLE MEMBER OF THE OBLIGATED GROUP. THE AFFILIATED ENTITIES HAVE NO PAYMENT OBLIGATIONS WITH RESPECT TO THE LOAN AGREEMENT, THE MASTER INDENTURE, THE SERIES 2017 NOTES OR THE BONDS. HOWEVER, THE FOUNDATION HAS

AGREED UNDER THE LIQUIDITY SUPPORT AGREEMENT TO PROVIDE CERTAIN LIMITED SUPPORT TO THE OBLIGOR. See "LIQUIDITY SUPPORT AGREEMENT" herein.

The Assigned Collateral

As additional security for its obligations under the Loan Agreement, the Obligor will enter into a Collateral Assignment of Transaction Documents (the "Collateral Assignment") to collaterally assign to the Master Trustee all of its right, title and interest in the Development Consulting Agreement and the other Services Agreements (as defined in the Collateral Assignment), all other plans, specifications and contracts for design and development of the Project.

Certain Covenants of the Obligated Group

In addition to the covenants described below, the Master Indenture contains additional covenants relating to, among others, the maintenance of the Community's property, corporate existence, the maintenance of certain levels of insurance coverage, the incurrence of additional debt, the sale or lease of certain property, and permitted liens. For a full description of these and other covenants, see "**THE MASTER INDENTURE**" in **APPENDIX C** hereto.

Rate Covenant. The Master Indenture requires that commencing with the Initial Testing Period described below, if the Historical Debt Service Coverage Ratio of the Obligated Group for the Initial Testing Period is less than 1.10:1, the Obligated Group Representative, at the Obligated Group's expense, will select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year. The "Initial Testing Period" means the earlier of (a) the first full Fiscal Year following the year in which both of these conditions have been met: (i)(A) the percentage occupancy of the Independent Living Units in the Facilities (as defined in the Master Indenture) is equal to or greater than 93%, and (B) the total percentage occupancy of all units and beds in the Facilities is equal to or greater than 91%, both calculated as of the last day of a fiscal quarter, and (ii) all the Series 2017B Bonds and the Taxable Series 2017C Bonds have been paid in full, and are no longer outstanding; provided, if the Series 2017B Bonds and the Taxable Series 2017C Bonds referred to in (ii) above are repaid no later than March 1 of a particular year, they shall be deemed to have been fully repaid in the prior Fiscal Year (as if they were repaid prior to December 31 of the prior Fiscal Year) or (b) the Fiscal Year ending December 31, 2024.

If the Historical Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year following the Initial Testing Period, and for any Fiscal Year thereafter, is less

than 1.20:1, the Obligated Group Representative, at the Obligated Group's expense, shall select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year.

Within 60 days of the actual engagement of any such Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. This covenant shall not be construed to prohibit any Member from serving indigent residents to the extent required for such Member to continue its qualification as a Tax Exempt Organization or from serving any other class or classes of residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this covenant.

The Master Trustee shall not be obligated to require the Obligated Group to select a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Required Information Recipient) a written report addressed to them of a Consultant which contains an opinion of such Consultant that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year sufficient to meet the requirements of this covenant, and such report is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee) an opinion of Independent Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

If the Obligated Group (i) fails to achieve a Historical Debt Service Coverage Ratio of 1.20:1 for any Fiscal Year (or, in the case of the Initial Testing Period, a Historical Debt Service Coverage Ratio of 1.10:1) but (ii) does achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for such Fiscal Year, such failure 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 preparing a report and adopting a plan and 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.

Commencing with the Initial Testing Period, if the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for any Fiscal Year, such failure shall constitute an Event of Default under the Master Indenture.

For additional information regarding the calculation of the Historical Debt Service Coverage Ratio in certain circumstances, see "**THE MASTER INDENTURE - Rates and Charges**" in **APPENDIX C** attached hereto. For specific information regarding the process under the Master Indenture for selection of Consultants, see "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants**" herein and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants"** attached hereto.

Liquidity Covenant. The Master Indenture requires that the Obligated Group conducts its business so that it maintains on each June 30 and December 31, commencing with June 30 in the Initial Testing Period (each a "Testing Date"), (a) no less than 180 Days Cash on Hand, and (b) a Cash to Indebtedness Ratio of (i) no less than 0.25:1 on each of the first two Testing Dates, (ii) no less than 0.275:1 for the next two following Testing Dates, and (iii) no less than 0.30:1 on each Testing Date thereafter (the "Liquidity Requirement"). Upon the receipt by the Master Trustee of an Officer's Certificate of the Obligated Group Representative demonstrating that on each Testing Date for three consecutive Fiscal Years, the Obligated Group reported (x) an Historical Debt Service Coverage Ratio of 1.30:1 or more, and (y) a Cash to Indebtedness Ratio of 0.30:1 or more, the Cash to Indebtedness Ratio requirement set forth in (b) of the preceding sentence shall be eliminated, and the Liquidity Requirement will be a covenant to maintain no less than 180 Days Cash on Hand on each Testing Date thereafter.

If the Cash to Indebtedness Ratio or the amount of the Days Cash on Hand, as applicable, on any Testing Date is less than the Liquidity Requirement, the Obligated Group Representative is required, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, to deliver an Officer's Certificate approved by a resolution of the Governing Body of the Obligated Group Representative 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 raise the level of the Cash to Indebtedness Ratio or the amount of the Days Cash on Hand, as applicable, to the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised the level of the Cash to Indebtedness Ratio or the amount of Days Cash on Hand to the Liquidity Requirement by the next Testing

Date following delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative is required, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, to select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Cash to Indebtedness Ratio or the Days Cash on Hand, as applicable, to the Liquidity Requirement for future Testing Dates. A copy of the Consultant's report and recommendations, if any, is required to be filed with each Member and each Required Information Recipient within 60 days of the actual engagement of such Consultant. Each Member of the Obligated Group is required to follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Governing Body of the member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Testing Date will not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the required procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants**" herein and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants"** attached hereto.

Marketing Covenant. Commencing with the fiscal quarter ending June 30, 2017, and ending with the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs, the Obligated Group will use its best efforts to maintain the percentage of Entrance Fee Units which are Reserved (the "Percentage of Reserved Entrance Fee Units") at or above the applicable levels set forth in the tables below, which determinations shall be measured as of the last day of the applicable quarter (the "Marketing Requirements"). The Marketing Requirements for the applicable quarter shall be either (i) the Level I Marketing Requirements for the applicable quarter as long as the Adjusted Level I Occupancy Requirements set forth below have not been satisfied, or (ii) the Adjusted Level I Marketing Requirements if the Adjusted Level I Occupancy Requirements set forth below in "Certain Covenants of the Obligated Group - Occupancy Covenant" have been satisfied.

| <u>Quarter Ending</u> | Percentage of Reserved Entrance Fee Units (%) <u>Level I</u> |
|-------------------------------------|---|
| June 30, 2017 | 66.6% |
| September 30, 2017 | 67.7 |
| December 31, 2017 | 68.7 |
| March 31, 2018 | 69.8 |
| June 30, 2018 | 71.9 |
| September 30, 2018 | 73.0 |
| December 31, 2018 | 75.1 |
| March 31, 2019 | 77.2 |
| June 30, 2019 | 74.6 |
| September 30, 2019 | 73.5 |
| December 31, 2019 | 73.5 |
| March 31, 2020 | 75.1 |
| June 30, 2020 | 76.7 |
| September 30, 2020 | 77.7 |
| December 31, 2020 | 78.8 |
| March 31, 2021 | 79.8 |
| June 30, 2021 | 80.9 |
| September 30, 2021 | 82.5 |
| December 31, 2021 | 84.1 |
| March 31, 2022 | 86.2 |
| June 30, 2022 | 88.3 |
| September 30, 2022 | 89.4 |
| December 31, 2022 and thereafter | 89.9 |

| <u>Occupancy Quarter</u> | Percentage of Reserved Entrance Fee Units (%) <u>Adjusted Level I</u> |
|---------------------------------|--|
| 1 | 69.8% |
| 2 | 69.3 |
| 3 | 71.4 |
| 4 | 73.0 |

If the Percentage of Reserved Entrance Fee Units for any fiscal quarter is less than the applicable Marketing Requirement set forth above for that fiscal quarter the Obligated Group Representative shall submit to the Master Trustee, within 30 days of the end of such fiscal quarter, a marketing report (a "Management Marketing Report") which includes the following information: (a) the Percentage of Reserved Entrance Fee Units, including the number of reservations and cancellations of Entrance Fee Units during the immediately preceding fiscal quarter and on an aggregate basis; (b) a forecast, prepared by management of the Obligated Group Representative, of the number of reservations of Entrance Fee Units expected in the fiscal quarter immediately succeeding the fiscal quarter with respect to which the Management Marketing Report is being prepared; and (c) a description of the sales and marketing plan of the Obligated Group Representative.

If the Obligated Group fails to meet the Marketing Requirement for any two consecutive fiscal quarters, the Obligated Group Representative shall select a Consultant in accordance with the Master Indenture within 30 days thereafter to prepare a report which addresses the information identified in the Management Marketing Report described above and to make recommendations regarding the actions to be taken to increase the Percentage of Reserved Entrance Fee Units to at least the Marketing Requirements set forth herein for future periods. Within 60 days of the actual engagement of any such Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member shall follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Governing Board of such Member) and permitted by law. The Obligated Group shall not be required to obtain a Consultant's report for failing to meet a Marketing Requirement if such failure occurs within three fiscal quarters of the failure that triggered the delivery of a prior Consultant's report addressing the information identified in the Management Marketing Report described above.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the Marketing Requirements for any fiscal quarter 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 preparing a Management Marketing Report or obtaining a Consultant's report and adopting a plan and follows each recommendation contained in such Management Marketing Report or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants**" herein and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants"** attached hereto.

Occupancy Covenant. The Obligated Group covenants that for each fiscal quarter (a) commencing with the first fiscal quarter which ends not less than 60 days following the issuance of a certificate of occupancy for any portion of the Facilities containing Entrance Fee Units, and (b) ending with the first full fiscal quarter following the fiscal quarter in which the Stabilization Date occurs (each an "Occupancy Quarter"), the Obligated Group will use its best efforts to have Occupied (as defined in the Master Indenture) the percentage of the total number of all Entrance Fee Units (the "Percentage of Units Occupied") at or above the Level I Occupancy Requirements set forth below which levels shall be measured as of the last day of the applicable Occupancy Quarter (the "Occupancy Requirements"):

| <u>Occupancy Quarter</u> | <u>Level I Occupancy Requirements (%)</u> | <u>Projected Occupancy(%)⁽¹⁾</u> | <u>Adjusted Level I Occupancy Requirements (%)⁽²⁾</u> |
|-------------------------------------|--|--|---|
| 1 | 14.2% | 23.3% | 24.9% |
| 2 | 28.0 | 39.7 | 50.3 |
| 3 | 40.2 | 54.0 | 65.6 |
| 4 | 46.5 | 61.4 | 75.1 |
| 5 | 51.8 | 67.7 | |
| 6 | 57.1 | 73.5 | |
| 7 | 61.9 | 78.3 | |
| 8 | 66.6 | 82.9 | |
| 9 | 70.3 | 86.0 | |
| 10 | 74.0 | 89.2 | |
| 11 | 78.3 | 92.4 | |
| 12 | 82.5 | 95.0 | |
| 13 | 85.1 | 95.0 | |
| 14 | 87.8 | 95.0 | |
| 15 | 88.8 | 95.0 | |
| 16 and thereafter | 90.0 | 95.0 | |

⁽¹⁾ This information is based on Management's forecast as contained in Table 43 in the Financial Feasibility Study attached hereto as **APPENDIX B**. This information is not included in the Master Indenture and is set forth here for the purpose of comparison only. There can be no assurance that the Obligated Group will achieve the occupancy levels forecasted.

⁽²⁾ This information is for use with the marketing covenant only, as set forth in "**Marketing Covenant**" above.

If the Percentage of Units Occupied for any Occupancy Quarter is less than the Level I Occupancy Requirement set forth above for that Occupancy Quarter, the Obligated Group Representative shall within 30 days thereafter submit an Officer's Certificate to the Master Trustee setting forth in detail the reasons therefor and the plan to increase the Percentage of Units Occupied to at least the Level I Occupancy Requirement set forth above for future periods (a "Corrective Occupancy Action Plan").

If the Percentage of Units Occupied for any two consecutive fiscal quarters is less than the Level I Occupancy Requirement set forth above for those fiscal quarters, the Obligated Group Representative shall select a Consultant in accordance with the Master Indenture within 30 days thereafter to prepare a report which addresses the information identified in the Corrective Occupancy Action Plan described above and to make recommendations regarding the actions to be taken to increase the Percentage of Units Occupied to at least the Level I Occupancy Requirement set forth above for future periods. Within 60 days of the actual engagement of any such Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member shall follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Governing Board of such Member) and permitted by law. The Obligated Group shall not be required to obtain a Consultant's report for failing to meet an Occupancy Requirement if such failure occurs within three fiscal quarters of the failure that triggered the delivery of a prior Consultant's report addressing the information identified in the Corrective Occupancy Action Plan described above.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the Occupancy Requirement for any Occupancy Quarter 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 preparing a Corrective Occupancy Action Plan and for obtaining a Consultant's report and adopting a plan and follows each recommendation contained in such Corrective Occupancy Action Plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants**" herein and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants"** attached hereto.

Cumulative Cash Operating Loss Covenant. The Obligated Group covenants that during the period (a) commencing with either (i) the first fiscal quarter ending after the Initial Occupancy Date if such date is more than 30 days prior to the end of such fiscal quarter, or (ii) the first full fiscal quarter ending after the Initial Occupancy Date if such Initial Occupancy Date is less than 30 days prior to the end of a fiscal quarter, and (b) ending with the fiscal quarter immediately preceding the Initial Testing Period (Cumulative Cash Operating Loss is not required to be calculated for the Initial Testing Period of the rate covenant described above), it will calculate its Cumulative Cash Operating Loss as of the last day of each such fiscal quarter. Each Member is required to conduct its business so that as of the end of each such testing quarter the Obligated Group

will have a Cumulative Cash Operating Loss for such fiscal quarter or on an aggregate basis no greater than the amount set forth below:

| Occupancy Quarter | Per Fiscal Quarter | | Aggregate | |
|----------------------|--|--|--|--|
| | Forecasted Cumulative Cash Operating Loss ⁽¹⁾ | Maximum Cumulative Cash Operating Loss | Forecasted Cumulative Cash Operating Loss ⁽¹⁾ | Maximum Cumulative Cash Operating Loss |
| 1 | \$(2,079,000) | \$(3,250,000) | \$(2,079,000) | \$(3,250,000) |
| 2 | (2,285,000) | (3,150,000) | (4,364,000) | (6,400,000) |
| 3 | (3,496,000) | (4,850,000) | (7,860,000) | (11,250,000) |
| 4 | (2,610,000) | (3,250,000) | (10,470,000) | (14,500,000) |
| 5 | (1,972,000) | (2,500,000) | (12,442,000) | (17,000,000) |
| 6 | (1,381,000) | (1,800,000) | (13,823,000) | (18,800,000) |
| 7 | (840,000) | (1,000,000) | (14,663,000) | (19,800,000) |
| 8 | (509,000) | (500,000) | (15,172,000) | (20,300,000) |
| 9 | (278,000) | (400,000) | (15,450,000) | (20,700,000) |
| 10 | (152,000) | (200,000) | (15,602,000) | (20,900,000) |
| 11 | (237,000) | (100,000) | (15,839,000) | (21,000,000) |
| 12 | (138,000) | (200,000) | (15,977,000) | (21,200,000) |
| 13 | (100,000) | (150,000) | (16,077,000) | (21,350,000) |
| 14 and thereafter | \$(99,000) | \$(125,000) | \$(16,176,000) | \$(21,475,000) |

⁽¹⁾ Excludes net turnover Entrance Fees. This information is based on Management's forecast as contained in the Financial Feasibility Study. See **APPENDIX B - Financial Feasibility Study**. This information is not included in the Master Indenture and is set forth herein for the purpose of comparison only. There can be no assurance that the Obligated Group will achieve the operating levels forecasted.

If, as of any testing date, the Cumulative Cash Operating Loss of the Obligated Group for the related fiscal quarters and on an aggregate basis is greater than the amounts required above, the Obligated Group Representative shall, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, deliver an Officer's Certificate 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 compliance for future periods.

If, as of any two consecutive testing dates, the Cumulative Cash Operating Loss for the related fiscal quarter and on an aggregate basis is greater than the levels set forth above required, the Obligated Group Representative shall, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, select a Consultant in accordance

with the Master Indenture to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to decrease Cumulative Cash Operating Loss to the required level for future periods. Within 60 days of the actual engagement of any such Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Member) and permitted by law. The Obligated Group shall not be required to obtain a Consultant's report for exceeding the permitted Cumulative Cash Operating Loss if such failure occurs within three fiscal quarters of the failure that triggered the delivery of a prior Consultant's report addressing the information described above.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Cumulative Cash Operating Loss level will not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the required procedures for preparing a report and adopting a plan and follows each recommendation contained in such report to the extent feasible (as determined by the Governing Body of such Member) and permitted by law.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Approval of Consultants**" herein and **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants"** attached hereto.

Use of Moneys in Funds. The Obligor covenants that it will use amounts on deposit in the Working Capital Fund and the Operating Reserve Fund to pay debt service on any Indebtedness of the Obligor prior to any amounts on deposit in any debt service reserve fund relating to such Indebtedness being used for such purpose.

Changes in Pricing Structure. (a) The Obligated Group covenants that prior to taking any action to decrease Initial Entrance Fees, monthly service fees or per diem charges with respect to the Facilities that would decrease the amount of Initial Entrance Fees (as shown in the Financial Feasibility Study) by more than 10% or the amount of Total Revenues of the Obligor as shown in the Forecasted Statement of Operations and Changes in Net Deficit in the Financial Feasibility Study by more than 10% for the current or any future Fiscal Year, the Obligated Group Representative will notify the Master Trustee and each Required Information Recipient of such action. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Holders of all Obligations Outstanding under the Master Indenture of such action. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include a breakdown of the changes to the Initial Entrance Fees, monthly service fees and per diem charges by amounts, unit types and categories,

including the aggregate net change to the Initial Entrance Fees and Total Revenues for each Fiscal Year, (ii) state the reason that such changes are necessary, and (iii) state that the Holder of the Obligation will be deemed to have consented to such changes unless such Holder submits an objection to such changes in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee shall notify the Obligated Group Representative of the number of objections. If 66.6% or more in aggregate principal amount of the Holders of the Outstanding Obligations have consented to such changes or have not responded to the request for consent, the Obligated Group Representative may put such changes into effect. If more than 33.4% in aggregate principal amount of the Holders of the Obligations Outstanding have objected to such changes, the Obligated Group Representative shall not put such changes into effect.

(b) When the Master Trustee notifies the Holders of Obligations of such changes, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subparagraph (a) above to the owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to such changes in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related Bonds have consented to such changes or have not responded to the request for consent, the Related Bond Trustee shall notify the Master Trustee that it consents to such changes. If more than 33.4% in aggregate principal amount of the owners of the Related Bonds outstanding have objected to such changes, the Related Bond Trustee shall notify the Master Trustee that it objects to such changes.

The 15-day notice period described in (a) above may be extended by no more than 10 additional days by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of an Obligation securing any Related Bonds, the Related Bond Trustee agrees to comply with the provisions of the Master Indenture.

(c) The Obligated Group will no longer be subject to the requirements of paragraphs (a) and (b) above once all of the Temporary Bonds have been fully redeemed or otherwise paid in full.

Rating Application. The Obligated Group Representative has covenanted that, not later than 150 days after receipt by the Obligated Group Representative of the audited financial report of the Obligated Group for the first full Fiscal Year following the achievement of Stable Occupancy and each Fiscal Year thereafter, the Obligated Group will approach any Rating Agency to obtain a credit rating until the Obligated Group obtains an investment grade credit rating from any Rating Agency. Notwithstanding the foregoing, (a) the requirement to annually approach a Rating Agency shall be suspended

for such time as the Obligated Group maintains an investment grade credit rating; and (b) the Obligated Group shall not be required to approach a Rating Agency to obtain a credit rating if the Obligated Group Representative reasonably believes that the Obligated Group will not meet the criteria of any Rating Agency for an investment grade credit rating based on the then-existing published rating criteria of the Rating Agencies.

Limitation on Payments on Subordinated Indebtedness to Affiliates. The Obligor and each future Member of the Obligated Group agree in the Master Indenture that a Member will not make payments on Subordinated Indebtedness to an Affiliate unless the Obligated Group Representative delivers an Officer's Certificate to the Master Trustee prior to any payment on Subordinated Indebtedness to an Affiliate certifying that the following conditions are satisfied:

(a) all of the Series 2017B Bonds and Taxable Series 2017C Bonds have been fully redeemed or otherwise paid in full;

(b) there have been two full fiscal quarters of Stable Occupancy with respect to the Facilities;

(c) if the proposed payment on the Subordinated Indebtedness to an Affiliate had occurred as of the most recent Testing Date, the Obligated Group would have met the Liquidity Requirement on such Testing Date after such payment;

(d) the Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available was at least 1.35:1;

(e) if the proposed payment on the Subordinated Indebtedness to an Affiliate had occurred during the most recent Fiscal Year for which audited financial statements of the Obligated Group are available, the Historical Debt Service Coverage Ratio for that Fiscal Year would have been not less than 1.20:1; and

(f) there is no event existing that constitutes, or with the giving of notice or the passing of time or both would constitute, an Event of Default under the Master Indenture. Notwithstanding the foregoing, such restriction shall not apply to payments made with the proceeds of the Bonds.

Limitation on Payments on Affiliate Management Fees. The Obligor and each future Member of the Obligated Group agree in the Master Indenture that:

(a) prior to the Stabilization Date, no Obligated Group Member shall pay Deferred Affiliate Management Fees unless the Obligated Group Representative has delivered an Officer's Certificate to the Master Trustee prior to

such payment certifying that the Obligated Group Members have complied with any applicable marketing covenant, occupancy covenant and cumulative cash operating loss covenant for two consecutive fiscal quarters;

(b) subsequent to the Stabilization Date, no Obligated Group Member shall pay Deferred Affiliate Management Fees unless the Obligated Group Representative has delivered an Officer's Certificate to the Master Trustee prior to such payment certifying that the Obligated Group Members were in compliance with (i) the Liquidity Requirement, if then applicable, on the immediately prior Testing Date, and (ii) the rate covenant (if applicable) for the immediately prior Fiscal Year;

(c) notwithstanding anything to the contrary in the Master Indenture, no Obligated Group Member shall pay Current Affiliate Management Fees or Deferred Affiliate Management Fees if, at the time of such payment, there is an event existing that constitutes, or with the giving of notice or passing of time or both would constitute, an Event of Default under the Master Indenture;

(d) amounts due to an Affiliate with respect to any portion of Current Affiliate Management Fees or Deferred Affiliate Management Fees not paid because the conditions set forth above cannot be satisfied, shall be deferred or continue to be deferred in accordance with the Master Indenture and the Management Services Agreement until the requirements for payment have been satisfied; and

(e) all Current Affiliate Management Fees and Deferred Affiliate Management Fees payable but deferred pursuant to the Master Indenture shall be subordinated to all payments due on any Obligations Outstanding.

For additional information regarding these payment limitations, see **APPENDIX C** attached hereto.

Approval of Consultants. The Master Indenture provides that if at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture with regard to the Liquidity Support Account, rate covenant, liquidity covenant, marketing covenant, occupancy covenant and cumulative cash operating loss covenant, such Consultant shall be engaged in the manner as set forth below in this subheading.

Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee and the Required Information Recipients of such selection. The Master Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations outstanding under the Master Indenture of such

selection. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Obligation holder submits an objection to the selected Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Obligations holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee is required to notify the Obligated Group of the number of objections. If 66.6% or more in aggregate principal amount of the holders of the outstanding Obligations have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative is required to engage the Consultant within three Business Days. If more than 33.4% in aggregate principal amount of the holders of the Obligations outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with the procedures described herein.

When the Master Trustee notifies the holders of Obligations of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information described in the paragraph above to the owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related Bonds have consented to the selection of the Consultant or have not responded to the request for consent, the Related Bond Trustee shall notify the Master Trustee that it consents to the selection of the Consultant. If more than 33.4% in aggregate principal amount of the owners of the Related Bonds outstanding have objected to the Consultant selected, the Related Bond Trustee shall notify the Master Trustee that it objects to the Consultant selected.

The 15-day notice period described above may be extended by no more than 10 additional days by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 15 days to respond to the notice given by the Related Bond Trustee.

For further information about the approval of Consultants, including the ability of owners to object to the selection of a Consultant, see **APPENDIX C - "THE MASTER INDENTURE - Approval of Consultants."**

Management. The Obligor agrees in the Master Indenture to provide for management of the Facilities through competent and qualified persons having experience in the management of a continuing care retirement community and related elder care facilities similar to the Facilities. Any contract with a manager shall provide that such

contract may be terminated by the Obligor at any time. While any Obligations with respect to tax-exempt Related Bonds are Outstanding, the Obligor shall not enter into any management contract or contract for services at the Facilities unless the contract complies with the applicable Internal Revenue Service Guidelines for Management Contracts as in effect.

Payments or Transfers of Cash to Affiliates. (a) The Obligated Group has agreed in the Master Indenture that it shall not make any payments or other transfer of cash to an Affiliate unless (i) the Temporary Bonds have been paid in full; (ii) the Historical Debt Service Coverage Ratio of the Obligated Group for the two preceding Fiscal Years was not less than 1.35:1; (iii) there is no deficiency in any Related Bonds Debt Service Reserve Fund; (iv) the Days Cash on Hand for each of the two preceding Testing Dates was not less than 250; (v) the Independent Living Units that are part of the Facilities have had an average occupancy for the preceding twelve months of not less than 90%; (vi) the Independent Living Units, the assisted living units, the memory support units and the nursing beds that are part of the Facilities collectively have had an average occupancy for the preceding six months of not less than 85%; and (vii) no Deferred Affiliate Management Fees are then outstanding; (viii) no Subordinated Indebtedness to any Affiliate is then outstanding; and (ix) no Event of Default has occurred and is continuing hereunder. If the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group may transfer to an Affiliate 50% of the amount of Cash and Investments that are in excess of the greater of (A) 300 Days Cash on Hand or (B) the most recently published BBB- median for Days Cash on Hand for Fitch. In addition, if the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group may transfer to an Affiliate 100% of the amount of Cash and Investments that are in excess of the greater of (A) 375 Days Cash on Hand or (B) the most recently published BBB median for Days Cash on Hand for Fitch.

(b) Payment of Affiliate Development Fees, Current Affiliate Management Fees and Deferred Affiliate Management Fees are not required to comply with the provisions of paragraph (a) above.

Flow of Funds, the Entrance Fee Fund and Other Funds

Flow of Funds; The Entrance Fee Fund. The members of the Obligated Group have agreed that all Initial Entrance Fees received by the members of the Obligated Group (and that are not required to be escrowed under Chapter 246 of the Texas Health and Safety Code, as amended) will be transferred to the Master Trustee within five Business Days of the receipt thereof for deposit into the Entrance Fee Fund. Moneys in the Entrance Fee Fund are required to be applied within two Business Days of receipt, as follows:

FIRST, to the Obligor to pay refunds required by Residency Agreements for which the Obligor has not received a corresponding replacement Entrance Fee with respect to the applicable Entrance Fee Unit. Such disbursements will be made upon receipt by the Master Trustee of an Officer's Certificate of the Obligor certifying that the Obligor is required by a Residency Agreement to pay refunds within the next 30 days, and the amount of such refunds.

SECOND, to the Working Capital Fund established by the Master Indenture, until the total principal amount deposited into the Working Capital Fund equals \$24,000,000. The Master Trustee will not replenish funds withdrawn from the Working Capital Fund or transfer moneys from the Entrance Fee Fund into the Working Capital Fund in excess of \$24,000,000.

THIRD, to the Liquidity Support Account, any amount necessary to reimburse any amounts advanced under the Liquidity Support Agreement before the issuance of a certificate of occupancy for any Entrance Fee Unit included in the Facilities.

FOURTH, to the Operating Reserve Fund established by the Master Indenture the following:

- (i) until the amount deposited into the Operating Reserve Fund equals \$6,500,000;

- (ii) thereafter on the first Business Day of each month, the amount needed, if any, to replenish any funds withdrawn from the Operating Reserve Fund until the amount on deposit in the Operating Reserve Fund equals \$6,500,000, provided that the aggregate amount transferred from the Entrance Fee Fund to the Operating Reserve Fund shall not exceed \$13,000,000 under this clause (ii) of this paragraph FOURTH except as permitted under clause (iii) below;

- (iii) if a transfer of moneys from the Liquidity Support Account to the Operating Reserve Fund as described under the subheading "Liquidity Support Account" below has occurred, the amount needed, if any, to increase the amount on deposit in the Operating Reserve Fund to \$3,000,000.

FIFTH, after the transfers described in the first sentence of paragraphs SECOND, THIRD, and FOURTH above have been made, the Master Trustee will only review the amount on deposit in the Entrance Fee Fund on the first Business Day of each month (each, a "Review Date"). Moneys in the Entrance Fee Fund on each Review Date will be transferred to the Bond Trustee for deposit into the Entrance Fee Redemption Account established under the Bond Indenture.

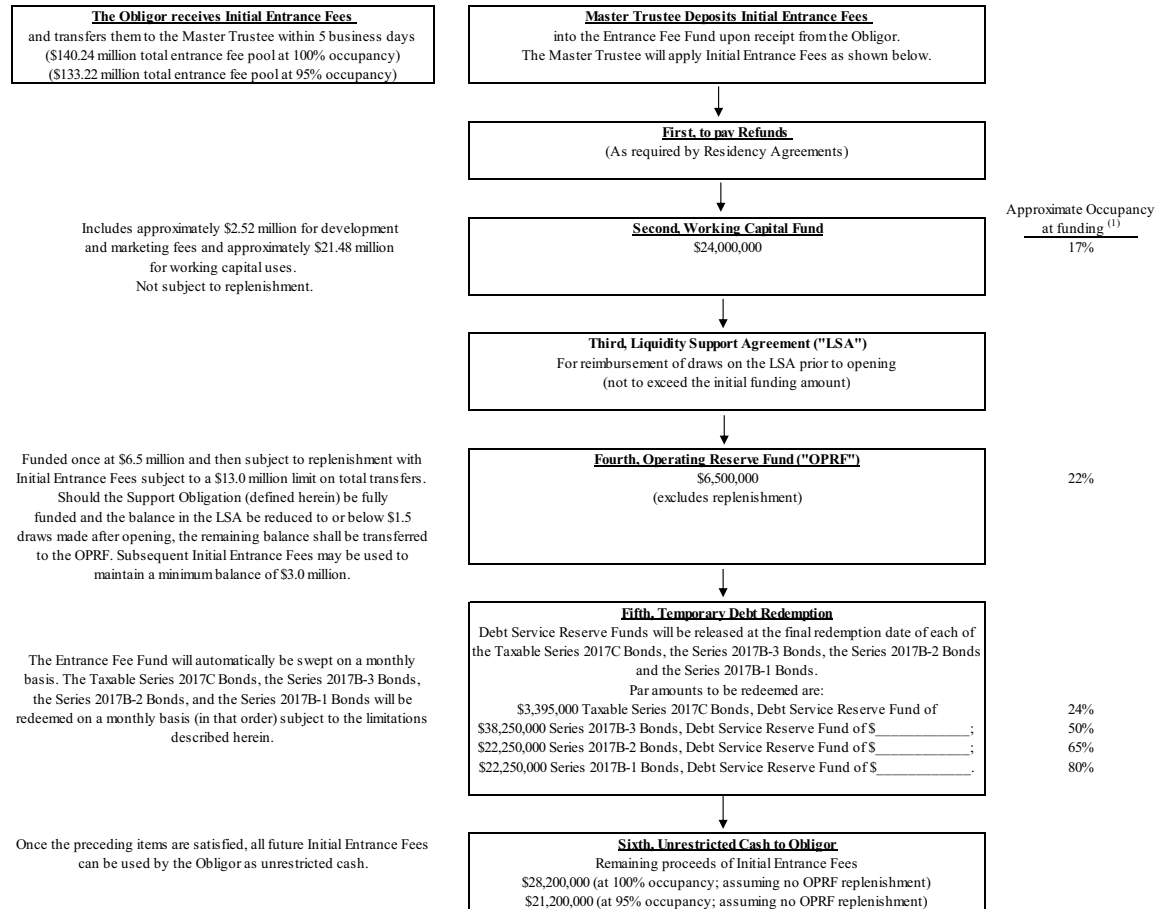
After all of the Series 2017B Bonds and Taxable Series 2017C Bonds have been fully redeemed or are otherwise paid in full (as established by an Officer's Certificate of

the Obligor delivered to the Master Trustee) and no Event of Default has occurred and is continuing, the Members of the Obligated Group need not deposit any Entrance Fees into the Entrance Fee Fund. Upon the satisfaction of such conditions, any amounts on deposit in the Entrance Fee Fund shall be remitted to the Obligor and the Entrance Fee Fund shall be closed.

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Cash Waterfall of Entrance Fees

The diagram below demonstrates the flow of funds anticipated from the collection of Initial Entrance Fees.



(1) Occupancy percentages would be higher in the event of a replenishment of the OPRF. See "RISK FACTORS - Delay in Payment of Temporary Debt."

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Working Capital Fund. Moneys in the Working Capital Fund are required to be disbursed by the Master Trustee to or for the account of the Obligor within seven days of receipt by the Master Trustee of an Officer's Certificate of the Obligor to the effect that (i) such moneys will be used to pay (A) costs of constructing, acquiring and equipping the Facilities, (B) lease up and operating expenses of the Facilities, including any development, management and marketing fees, (C) the costs of needed repairs to the Facilities, (D) the costs of capital improvements to the Facilities, (E) judgments against the Obligor, (F) refunds of Entrance Fees as required by Residency Agreements pursuant to which such Entrance Fees were received, or (G) amounts due on any Indebtedness of the Obligor, but not to reimburse amounts advanced under the Liquidity Support Agreement or otherwise advanced by any Affiliate, and (ii) such moneys are anticipated to be expended in the calendar month following the month in which such Officer's Certificate is submitted, together with an itemized budget describing the uses for which such moneys are needed and the amount needed for each such use.

After all of the Series 2017B Bonds and Taxable Series 2017C Bonds have been redeemed or are otherwise paid in full (as established by an Officer's Certificate of the Obligor delivered to the Master Trustee) and no Event of Default has occurred and is continuing, any amounts on deposit in the Working Capital Fund shall be remitted to the Obligor, and the Working Capital Fund shall be closed.

Liquidity Support Account. Pursuant to the Liquidity Support Agreement, the Foundation, as Liquidity Support Provider thereunder, is required to establish and maintain a Liquidity Support Account with the Master Trustee. The Liquidity Support Account will be the property of the Foundation, but will be pledged to fund and secure its obligations under the Liquidity Support Agreement. See "**LIQUIDITY SUPPORT AGREEMENT**" herein.

Operating Reserve Fund. Moneys in the Operating Reserve Fund shall be disbursed by the Master Trustee to or for the account of the Obligor within seven days of receipt by the Master Trustee of an Officer's Certificate of the Obligor to the effect that (i) such moneys will be used to pay (A) costs of constructing, acquiring and equipping the Facilities (B) lease up and operating expenses of the Facilities, including any development, management and marketing fees, (C) the costs of needed repairs to the Facilities, (D) the costs of capital improvements to the Facilities, (E) judgments against the Obligor, (F) refunds of Entrance Fees as required by Residency Agreements pursuant to which such Entrance Fees were received, or (G) amounts due on any Indebtedness of the Obligor, but not to reimburse amounts advanced under the Liquidity Support Agreement or otherwise advanced by any Affiliate, (ii) such moneys are anticipated to be expended in the calendar month following the month in which such Officer's Certificate is submitted, together with an itemized budget describing the uses for which such moneys are needed and the amount needed for each such use, (iii) no moneys are on deposit in the Working Capital Fund or are otherwise available to the Obligor for such purpose and

(iv) if such moneys are to be used to pay costs of constructing, acquiring and equipping the Facilities, the aggregate amount on deposit in the Operating Reserve Fund immediately after such draw will be at least \$5,000,000.

After all of the Series 2017B Bonds and Taxable Series 2017C Bonds have been redeemed or are otherwise paid in full (as established by an Officer's Certificate of the Obligor delivered to the Master Trustee) and no Event of Default has occurred and is continuing, any amounts on deposit in the Operating Reserve Fund shall be remitted to the Obligor, and the Operating Reserve Fund shall be closed.

Revenue Fund

If an Event of Default under the Master Indenture occurs due to failure to pay any debt service on any Obligations when due and continues for a period of five days, each Obligated Group Member is required to deposit with the Master Trustee for deposit into the Revenue Fund all Gross Revenues of such Obligated Group Member (except to the extent otherwise provided by or inconsistent with any instrument creating any mortgage, lien, charge, encumbrance, pledge or other security interest granted, created, assumed, incurred or existing in accordance with the provisions of the Master Indenture) during each succeeding month, beginning on the first day thereof and on each day thereafter, until no payment default under the Master Indenture then exists.

On the fifth Business Day preceding the end of each month in which any Obligated Group Member has made payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee will withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

FIRST, to the payment of all amounts due the Master Trustee under the Master Indenture;

SECOND, to an operating account designated by the Obligated Group Representative (which shall be subject to the lien of the Master Indenture), the amount the Obligated Group Representative notifies the Master Trustee is necessary to pay the Expenses due or expected to become due in the month in which such transfer is made, all as set forth in the then-current Annual Budget;

THIRD, to the payment of the amounts then due and unpaid upon the Obligations, other than the Obligations constituting Subordinated Indebtedness, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively, and payments of Regularly Scheduled Payments due under any Interest Rate Agreement;

FOURTH, to restore any deficiency in a Related Bonds Debt Service Reserve Fund;

FIFTH, to the payment of the amounts then due and unpaid upon the Obligations constituting Subordinated Indebtedness for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively;

SIXTH, to the payment of all other amounts due under any Interest Rate Agreement that are not Regularly Scheduled Payments; and

SEVENTH, to the Obligated Group Representative for the benefit of the Obligated Group.

LIQUIDITY SUPPORT AGREEMENT

General

The Foundation has agreed to provide up to \$10,000,000 plus any amounts required to be deposited by the Foundation as described below to the Obligor for Project costs, working capital or operating expenses of the Community, and debt service on the Bonds, all as provided therein and summarized below. The Foundation is referred to for purposes of the Liquidity Support Agreement as the "Liquidity Provider." The Support Obligation (as defined below) of the Liquidity Provider is secured by the deposit of moneys in the Liquidity Support Account, and is payable solely from the Liquidity Support Account.

Liquidity Support Account

The Liquidity Provider will establish a Liquidity Support Account (the "Liquidity Support Account") with the Master Trustee pursuant to the Liquidity Support Agreement. The Liquidity Support Account shall be the property of the Liquidity Provider, but shall be pledged to fund and secure the Liquidity Provider's obligations under the Liquidity Support Agreement.

The Liquidity Provider agrees to pay the amounts requested by the Obligor, the Master Trustee or the Bond Trustee for the purposes described in the Liquidity Support Agreement, in a maximum amount of \$10,000,000 (subject to reduction in accordance with the Liquidity Support Agreement) plus any amounts required to be deposited in the Liquidity Support Account due to valuation deficiencies (the "Support Obligation"). The initial deposit by the Liquidity Provider to the Liquidity Support Account on March 1, 2019 shall be \$2,000,000 except as otherwise provided in the Liquidity Support Agreement. To the extent that the request for any draw on the Liquidity Support Account

exceeds the amount then on deposit (including any draw made prior to March 1, 2019), the Liquidity Provider shall transfer the amount of such deficiency to the Liquidity Support Account, limited to the Support Obligation less any amounts previously deposited to the Liquidity Support Account.

Commencing upon the issuance of a certificate of occupancy for any Entrance Fee Unit in the Facilities, each time the amount on deposit in the Liquidity Support Account falls below \$1,500,000 as a result of one or more draws on the Liquidity Support Account, the Master Trustee shall notify the Liquidity Provider of such event and the Liquidity Provider shall, within five Business Days of the receipt of notice of such event, transfer directly to the Master Trustee for deposit in the Liquidity Support Account an additional \$2,000,000 up to an amount equal to the Support Obligation.

The Liquidity Provider shall, within five Business Days of the occurrence thereof, give notice of the occurrence of any Funding Event to the Master Trustee and the Required Information Recipients (as defined in the Master Indenture) and, contemporaneously with such notice, transfer directly to the Master Trustee for deposit in the Liquidity Support Account an amount equal to the Support Obligation less the amounts previously deposited to the Liquidity Support Account.

A "Funding Event" is defined in the Liquidity Support Agreement to mean the Liquidity Provider fails to meet the Liquidity Provider Net Asset Level Requirement for any fiscal year of the Liquidity Provider.

"Liquidity Provider Net Asset Level Requirement" means that the Unrestricted Net Assets of the Liquidity Provider (calculated as of the last day of the most recent fiscal year of the Liquidity Provider for which financial statements that have been reported upon by independent certified public accountants are available) equal or exceed 75% of the amount of any Indebtedness of any Person (as such terms are defined in the Master Indenture) that is subject to a guaranty or other credit support agreement delivered by the Liquidity Provider that would or could require the Liquidity Provider to advance funds to make payments on such Indebtedness.

The Master Trustee may withdraw moneys from the Liquidity Support Account to the extent necessary to pay Project costs, working capital or operating expenses of the Community, and debt service on the Bonds, all in accordance with the Liquidity Support Agreement.

Moneys held in the Liquidity Support Account will, pursuant to written direction of the Liquidity Provider, be invested and reinvested by the Master Trustee in accordance with the provisions of the Liquidity Support Agreement in investments directed by the Liquidity Provider in its sole discretion. The interest earned on and any profit realized from investments held in the Liquidity Support Account is required to be deposited into the Liquidity Support Account. Any loss resulting from such investments shall be

charged to such account. Investments held in the Liquidity Support Account will be valued as of June 30 and December 31 in each Fiscal Year, at the time of any withdrawal from the Liquidity Support Account, at the time of any reduction of the Support Obligation in accordance with the Liquidity Support Agreement, and at such other times as the Master Trustee deems appropriate and at any other time requested by the Liquidity Provider (each a "Valuation Date").

The amount in the Liquidity Support Account at any time will be deemed to be the amount of cash therein plus the value of any investments held therein.

If on any Valuation Date the amount on deposit in the Liquidity Support Account is less than the Support Obligation less any amounts drawn on the Support Obligation plus any amounts by which the Liquidity Support Account has been replenished from the Entrance Fee Fund or funded by the Liquidity Provider pursuant to the requirements of the Liquidity Support Agreement, the Master Trustee is required to immediately notify the Liquidity Provider of such deficiency, and the Liquidity Provider is required to make up such deficiency by making payment directly to the Master Trustee for deposit in the Liquidity Support Account within 30 days of the receipt of such notice.

If on any Valuation Date the amount on deposit in the Liquidity Support Account is in excess of the Support Obligation less any amounts drawn on the Support Obligation plus any amounts by which the Liquidity Support Account has been replenished from the Entrance Fee Fund or funded by the Liquidity Provider pursuant to the requirements of the Liquidity Support Agreement, the amount of such excess shall be transferred to the Liquidity Provider.

Reductions of the Support Obligation

The aggregate amount available for payment under the Support Obligation will be reduced to each of the amounts described in clauses (a), (b) and (c) of this paragraph if the conditions described therein have been met. The amount of any excess shall be promptly transferred to the Liquidity Provider.

(a) The Support Obligation shall be reduced to \$5,000,000 (plus any amounts required to be deposited in the Liquidity Support Account by the Liquidity Provider due to valuation deficiencies) when the Obligor delivers to the Master Trustee, the Bond Trustee and the Liquidity Provider an Officer's Certificate certifying that:

(i) the Series 2017B Bonds and the Taxable Series 2017C Bonds are no longer Outstanding; and

(ii) for the most recent six-month period, the average overall occupancy of the Independent Living Units, the assisted living units and the memory support units included in the Project, in the aggregate, had reached at least 90%;

(iii) no Event of Default has occurred and is continuing under the Master Indenture and no event has occurred or is continuing which, with the passage of time or giving of notice, would cause an Event of Default to occur under the Master Indenture;

(iv) The Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available was not less than the higher of (a) 1.10:1, or (b) the then applicable Historical Debt Service Coverage Ratio required under the Master Indenture; and

(v) the Cash to Indebtedness Ratio or the amount of Days Cash on Hand of the Obligated Group as of the most recent Testing Date was no less than the Liquidity Requirement.

(b) The Support Obligation will be reduced to zero and the Liquidity Support Agreement will terminate and cease to be of any further force and effect, when the Obligor delivers to the Master Trustee, the Bond Trustee and the Liquidity Provider an Officer's Certificate certifying that either:

(i) all of the following conditions are met:

(a) at least 12 months have elapsed since the last day of the Fiscal Year of the audited financial statements utilized in (a)(iv) above;

(b) the Cash to Indebtedness Ratio or the amount of Days Cash on Hand of the Obligated Group as of the most recent Testing Date was no less than Liquidity Requirement;

(c) the Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are was not less than 1.20:1; and

(d) no Event of Default has occurred and is continuing under the Master Indenture and no event has occurred or is continuing that, with the passage of time or giving of notice, would cause an Event of Default to occur under the Master Indenture; or

(ii) all of the following conditions are met:

(a) the Series 2017B and the Taxable Series 2017C Bonds are no longer Outstanding;

(b) for the most recent six-month period, the average overall occupancy of the Independent Living Units, the assisted

living units and the memory support units included in the Project, in the aggregate, had reached at least 90%;

(c) no Event of Default has occurred and is continuing under the Master Indenture and no event has occurred or is continuing that, with the passage of time or giving of notice, would cause an Event of Default to occur under the Master Indenture;

(d) the Cash to Indebtedness Ratio of the Obligated Group as of the most recent Testing Date was no less than 0.30:1;

(e) the Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available was not less than 1.40:1; and

(f) the Historical Debt Service Coverage Ratio of the Obligated Group for the last Fiscal Year calculated using Revenues from operations only was not less than 1.00:1.

(c) If the Support Obligation has been reduced in accordance with paragraph (a) above and no draw has been made on the Liquidity Support Account as of the date of such reduction, the Master Trustee shall transfer to the Liquidity Provider from the Liquidity Support Account the amount of \$1,000,000; provided that the other provisions of the Liquidity Support Agreement above with respect to deposits by the Liquidity Provider shall continue to apply.

Draws on the Support Obligation

Draws on Liquidity Support Account. Moneys deposited in the Liquidity Support Account will be paid out from time to time by the Master Trustee as follows:

(a) Costs of the Project. If moneys are on deposit in the Construction Fund under the Bond Indenture and all other available funds (including project contingency funds and immediately available insurance proceeds, if any) are insufficient to pay costs of the Project, an Approved Change in Services or Facilities or additional construction costs and expenses arising from unanticipated events or problems including without limitation changes required pursuant to applicable law or requirements of governmental authorities (and not arising from a Discretionary Change), the Obligor may deliver to the Master Trustee a written request in the form as attached to the Liquidity Support Agreement (a "Written Request") for payment of funds required to pay such costs. Upon receipt of the Written Request, the Master Trustee is required to transfer moneys requested thereby from the Liquidity Support Account to the Bond Trustee for deposit in the Construction Fund under the Bond Indenture.

(b) Operating Expenses. If at any time (i) the Obligor needs money for payment of any expenses that (A) otherwise could be paid from the Working Capital Fund or the Operating Reserve Fund under the Master Indenture; and (B) are either (1) consistent with the level of services described in the form of Residency Agreement as of the date of issuance of the Bonds; (2) the result of an Approved Change in Services or Facilities; (3) required pursuant to applicable law or requirements of governmental authorities; or (4) interest payments on the Series 2017 Notes; and (ii) no moneys are on deposit in the Working Capital Fund and the Operating Reserve Fund held under the Master Indenture (other than amounts on deposit therein previously committed to pay such costs and expenses) or such funds and the Entrance Fee Fund have been closed in accordance with the Master Indenture, then the Obligor will deliver a Written Request to the Master Trustee to transfer moneys from the Liquidity Support Account to the Obligor for the payment of any such expenses to the extent of any funds therein.

Upon receipt of any such Written Request, the Master Trustee shall make such transfer. Notwithstanding the foregoing, no moneys in the Liquidity Support Account shall be used to pay interest on the Series 2017 Notes until all moneys in the Interest Account of the Bond Fund under the Bond Indenture are exhausted.

(c) Transfer to Operating Reserve Fund. If at any time (i) the amount in the Liquidity Support Account drops to or below \$1,500,000 and the Support Obligation has been fully satisfied such that the Liquidity Provider has no further obligation under the Liquidity Support Agreement to transfer funds to the Liquidity Support Account; and (ii) no moneys are on deposit in the Working Capital Fund and the Operating Reserve Fund under the Master Indenture, then the Master Trustee is required to promptly, without further authorization or direction, transfer all remaining moneys in the Liquidity Support Account to the Operating Reserve Fund under the Master Indenture (unless the Operating Reserve Fund has been closed in accordance with the Master Indenture, in which case no transfer will be made pursuant to this paragraph).

(d) Payment of Principal and Interest on the Bonds. If funds held in the Bond Fund under the Bond Indenture are insufficient to pay the principal of or interest on a related series of Bonds as the same come due, then moneys in the Working Capital Fund, the Operating Reserve Fund and the Liquidity Support Account (in that order) shall be used for that purpose before any moneys in the related account of the Reserve Fund held under the Bond Indenture are used. The Master Trustee shall transfer such funds to the Bond Trustee in accordance with the preceding sentence as needed for that purpose without further instructions from the Obligor.

Draws on Liquidity Support Provider. To the extent that the request for any draw on the Liquidity Support Account made pursuant to the immediately preceding sub-

Section entitled "Draws on the Liquidity Support Account" exceeds the amount then on deposit in the Liquidity Support Account, the Master Trustee shall promptly notify the Liquidity Provider of such deficiency and the Liquidity Provider shall, within five Business Days of receipt of such notice, transfer to the Master Trustee for deposit in the Liquidity Support Account the amount of such deficiency as stated in such notice; provided that the obligation of the Liquidity Provider to transfer such amount is limited to the Support Obligation less the amounts previously deposited to the Liquidity Support Account.

Written Requests. Any Written Request pursuant to the Liquidity Support Agreement will be delivered to the Master Trustee, with copies to the Liquidity Provider, the Development Consultant, the Construction Consultant, the Required Information Recipients and the Bond Trustee. The Master Trustee is entitled to conclusively rely on any Written Requests provided to it pursuant to the Liquidity Support Agreement and will not be liable to any person or entity for having made payments in accordance with any such Written Requests.

Repayment of Draws on the Support Obligation

The Liquidity Provider covenants and agrees pursuant to the Liquidity Support Agreement as follows:

(a) ***Subordination.*** The Obligor's obligation to repay the Liquidity Provider for any draws on the Support Obligation made under the Liquidity Support Agreement (the "Obligor's Repayment Obligation") will constitute Subordinated Indebtedness of the Obligor, as defined in the Master Indenture, will be evidenced by a Subordinate Note issued pursuant to the Master Indenture, and will be subject to the following provisions:

(i) The Obligor's Repayment Obligation shall, to the extent and in the manner hereinafter described, be subordinated and subject in right to the prior payment in full of Superior Indebtedness. The term "Superior Indebtedness" shall mean all Obligations now or hereafter issued and secured under the Master Indenture, as supplemented and modified to the date hereof, or as the same may hereafter from time to time be further supplemented and modified.

(ii) No payment on the Obligor's Repayment Obligation shall be made by the Obligor, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Obligor's Repayment Obligation, unless the requirements of the Master Indenture related to payments on Subordinated Indebtedness to an Affiliate have been met.

(iii) In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by the Liquidity Provider, such payment or

distribution will be held in trust for the benefit of, and will be paid over or delivered to the Master Trustee for application to the payment of all Superior Indebtedness remaining unpaid to the extent necessary to pay all such Superior Indebtedness in full in accordance with its terms.

(iv) No present or future owner of Superior Indebtedness shall be prejudiced in his right to enforce subordination of the Obligor's Repayment Obligation by any act or failure to act on the part of any Member or anyone in custody of its assets or property.

(v) The foregoing described subordination provisions are for the benefit of the owners of Superior Indebtedness and may be enforced by the Master Trustee against the Liquidity Provider; provided, however: (A) that the foregoing described provisions are solely for the purpose of defining the relative rights of the owners of Superior Indebtedness on the one hand and the Liquidity Provider on the other hand, and that nothing herein shall impair, as between the Members and the Liquidity Provider, the obligation of the Members, which is unconditional and absolute, to pay to the Liquidity Provider in accordance with the terms of the Liquidity Support Agreement, nor shall anything herein prevent the Liquidity Provider from exercising all remedies otherwise permitted by applicable law or under the Liquidity Support Agreement upon default under the Liquidity Support Agreement, subject to the rights set forth above of the owners of Superior Indebtedness to receive cash, property or securities otherwise payable or deliverable to the Liquidity Provider, (B) that upon any payment or distribution of assets of any Member of the character referred to in the paragraph (iii) of the foregoing described provisions, the Liquidity Provider shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation, reorganization or arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution, delivered to the Liquidity Provider for the purpose of ascertaining the persons entitled to participate in such distribution, the owners of Superior Indebtedness and other indebtedness of such Member, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions, and (C) that the Liquidity Provider shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to the Liquidity Provider, unless and until the Liquidity Provider shall have received written notice thereof from any Member or from one or more owners of Superior Indebtedness, or from the Master Trustee.

See **"SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Limitation on Payments on Affiliate Management Fees"** herein and

APPENDIX C - "THE MASTER INDENTURE - Payments on Subordinated Indebtedness to an Affiliate" attached hereto.

(b) ***Additional Repayment Conditions.*** In addition to the foregoing and in accordance with the Master Indenture, the Obligor will not make payments on the Obligor's Repayment Obligation unless the Obligor delivers an Officer's Certificate to the Master Trustee prior to any payment on the Obligor's Repayment Obligation that contains the certifications required by the Master Indenture.

(c) ***Distributions of Excess Moneys.*** Any distributions of moneys to the Liquidity Provider by the Master Trustee from the Liquidity Support Account pursuant to the terms of the Liquidity Support Agreement (other than distributions of earnings on amounts held in the Liquidity Support Account) shall constitute a repayment of the Obligor's Repayment Obligation.

(d) ***Obligor Repayments.*** The Obligor has agreed in the Liquidity Support Agreement to repay to the Liquidity Provider any amounts drawn on the Liquidity Support Account as soon as permitted to do so by the Master Indenture, with interest thereon as described in the Subordinate Note securing the Obligor's Repayment Obligation.

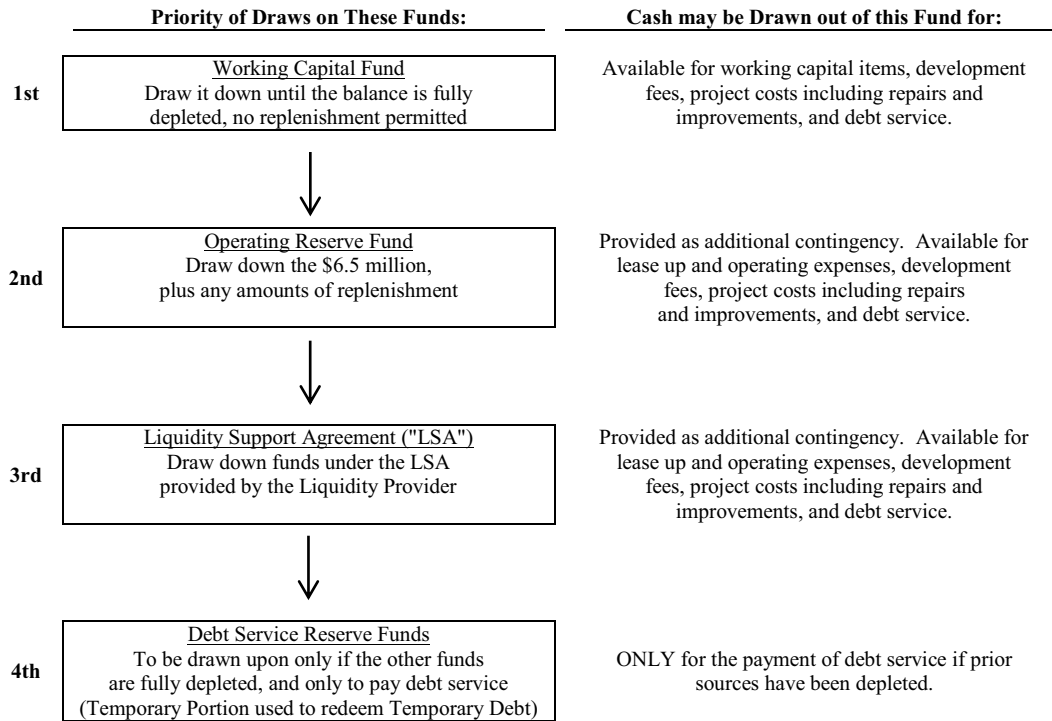
(e) ***Other Deposits.*** Notwithstanding the foregoing, any deposit in the Liquidity Support Account from the Entrance Fee Fund held by the Master Trustee under the Master Indenture shall constitute a permitted repayment of the Obligor's Repayment Obligation to the extent of such transfer.

See "**LIQUIDITY SUPPORT AGREEMENT**" in **APPENDIX C** hereto for more information regarding the Liquidity Support Agreement.

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PRIORITY OF DRAWINGS FROM VARIOUS FUNDS

The following diagram illustrates the priorities of drawings from the Working Capital Fund, Operating Reserve Fund, Debt Service Reserve Fund and under the Liquidity Support Agreement.



Note: The diagram above relates to the period after the Community has opened. Prior to opening, the Liquidity Support Agreement is available to fund costs of the Community, including development fees and marketing costs, should other available funds be insufficient. If the Liquidity Support Agreement is drawn upon prior to opening of the Community, Initial Entrance Fees can be used to reimburse the Liquidity Support Agreement. Such reimbursement would occur after the Working Capital Fund is funded and before the Operating Reserve Fund is funded.

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RISK FACTORS

General Risk Factors

The Bonds are special and limited obligations of the Issuer, payable solely from and secured exclusively by the funds pledged thereto, including the payments to be made by the Obligor under the Master Indenture.

A BONDOWNER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND SPECIAL REFERENCE IS MADE TO THE SECTION "**SECURITY FOR THE BONDS**" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

As described herein under the caption "**SECURITY FOR THE BONDS**," except to the extent that the principal of, premium, if any, and interest on the Bonds may be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Project, such principal, premium and interest will be payable solely from amounts paid by the Obligor under the Loan Agreement or by the Obligated Group (currently consisting solely of the Obligor) under the Master Indenture.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (which in the context of this discussion of risk factors, should be understood to include the Obligor individually and together with future Members of the Obligated Group, if any) sufficient to ensure the payment of the principal and interest on the Bonds in the amounts and at the times required to pay debt service on each series of the Bonds when due. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. The ability of the Obligated Group to generate sufficient revenues may be impacted by a number of factors. Some, but not necessarily all of these risk factors are discussed in this section below; these risk factors should be considered by investors considering any purchase of the Bonds. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

Impact of Market Turmoil

The economic turmoil of the past several years had severe negative repercussions upon the United States and global economies. This impact was particularly severe in the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. While the financial markets have improved, the effects of this turmoil linger. This recent turmoil and any

similar future market turmoil could adversely affect the secondary market and demand for the Bonds in addition to adversely affecting the value of any investments of the Obligor or any future Member of the Obligated Group.

Management's Forecast

Management's financial forecast contained in the Financial Feasibility Study included in **APPENDIX B** hereto is based upon assumptions made by the management of the Obligor. As stated in such financial forecast, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the financial forecast is only for the seven years ending December 31, 2023, and consequently does not cover the whole period during which the Bonds may be outstanding. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See **APPENDIX B** hereto.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO GUARANTEE CAN BE MADE THAT MANAGEMENT'S FINANCIAL FORECAST IN THE FINANCIAL FEASIBILITY STUDY WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE RETIREMENT LIVING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

The Nature of the Income of the Elderly

A percentage of the monthly income of certain future residents of the Community is expected to be fixed, as it will derive from pensions and social security. In addition, some residents may have to liquidate assets in order to afford the costs of residency and/or care at the Community. If, due to inflation or otherwise, rates substantially increase due to the Obligor's escalating costs or decreasing reimbursements, fixed-income residents may have difficulty paying or may be unable to pay such increased rates. Furthermore, residents' investment income may be adversely affected by market and stock price fluctuations which may also result in payment difficulties.

Delay in Payment of Temporary Debt

Management's financial forecast contained in the Financial Feasibility Study included in **APPENDIX B** hereto currently anticipates that the Series 2017B-3 Bonds, the Series 2017B-2 Bonds and the Series 2017B-1 Bonds will be subject to mandatory

redemption from funds held in the Entrance Fee Redemption Account upon achieving occupancy of 50%, 65% and 80%, respectively, of the Independent Living Units in the Community, assuming receipt of 100% of all Initial Entrance Fees and that no discounts are provided. Additionally, the Financial Feasibility Study included in **APPENDIX B** currently anticipates that the Taxable Series 2017C Bonds will be subject to mandatory redemption from funds held in the Entrance Fee Redemption Account prior to the mandatory redemption of the Series 2017B Bonds. There can be no guarantee, however, that there will be sufficient funds in the Entrance Fee Redemption Account in order to so redeem such Bonds. In the event that the Obligor is required to utilize moneys held under the Operating Reserve Fund or Liquidity Support Account, the Obligor will be required to utilize Entrance Fees to replenish such moneys. See "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Flow of Funds, the Entrance Fee Fund and Other Funds.**" Such replenishment may delay the Obligor's ability to redeem the Series 2017B and the Taxable Series 2017C Bonds in accordance with its anticipated schedule. The Entrance Fee Redemption Account will be funded from the Initial Entrance Fees in accordance with the Master Indenture as described herein.

Sale of Personal Residences

It is anticipated that a number of prospective residents of the Community will relocate from a personal residence and many will sell their homes to effectuate such relocation. If local or national economic conditions affect the sale of residential real estate, such prospective residents may be delayed in relocating which could have an adverse impact on the revenues of the Obligor.

Additions to the Obligated Group

Currently, the Obligor is the only Member of the Obligated Group. Upon satisfaction of certain conditions in the Master Indenture, other entities can become members of the Obligated Group. See "**THE MASTER INDENTURE - Admission of Obligated Group Members**" in **APPENDIX C**. Management of the Obligor currently has no plans to add additional members to the Obligated Group. However, if and when new members are added, the Obligated Group's financial situation and operations will likely be altered from that of the Obligor alone.

Limited Obligations

THE BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE ISSUER OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY

FROM THE FUNDS PLEDGED THEREFOR IN ACCORDANCE WITH THE BOND INDENTURE. THE ISSUANCE OF THE BONDS UNDER THE PROVISIONS OF THE ACT DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION FOR THE PAYMENT THEREOF OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT AND SUCH BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT NOW AND SHALL NEVER CONSTITUTE A DEBT OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE OF TEXAS AND DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. NO BREACH BY THE ISSUER OF ANY SUCH PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT MAY IMPOSE ANY LIABILITY, PECUNIARY OR OTHERWISE, UPON THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY CHARGE UPON THEIR GENERAL CREDIT OR AGAINST THEIR TAXING POWER. THE ISSUER HAS NO TAXING POWER.

Application of Amounts on Deposit in Construction Fund

If the principal of and interest on the Bonds become due or are declared due and payable but are not paid, the Bond Indenture requires that all moneys in the funds maintained by the Bond Trustee be applied (i) to the payment of the amounts, if any, payable pursuant to the Loan Agreement with respect to the rebate liability and (ii) to the payment of interest and principal then due on the Bonds.

Uncertainty of Revenues

The Obligor is a development stage company and has not previously built or operated a project. Facilities of the nature of those of the Obligated Group are subject to variability in demand and, in the event that there is insufficient demand for the services of the Obligated Group at the existing pricing structure, the Obligated Group may need to discount the pricing structure for its services which could negatively impact revenues. Additionally, the Obligor has no assets other than the Project and is not expected to have any revenues except those derived from operations of the Community.

As noted elsewhere, except to the extent that the Bonds will be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards, the Bonds will be payable solely from payments or prepayments to be made by the Obligated Group Members under the Loan Agreement and on the Series 2017 Notes. The ability of the Obligated Group Members to make payments under the Loan Agreement and the Series 2017 Notes is dependent upon the generation by the Obligor and any future Members of the Obligated Group of

revenues in the amounts necessary for the Obligated Group Members to pay the principal, premium or purchase price, if any, and interest on the Bonds, as well as other operating and capital expenses. The realization of future revenues and expenses are subject to, among other things, the capabilities of the management of the Obligated Group Members, government regulation and future economic and other conditions that are unpredictable and that may affect revenues and payment of principal of and interest on the Bonds. No representation or assurance can be made that revenues will be realized by the Obligated Group Members in amounts sufficient to make the required payments with respect to debt service on the Bonds.

Construction Risks

There can be no assurances given that the Project will be completed, or that it can be completed for the cost and within the time as set forth in this Official Statement. Failure to complete the Project, or to complete it in a timely fashion at the estimated cost could adversely affect the ability of the Obligor to generate sufficient revenues to continue its planned operations and to make payments with respect to the Bonds. For example, the plan of finance assumes that Entrance Fees payable on or before initial occupancy of the Project by individual residents will be used to fund the Operating Reserve Fund and the Working Capital Fund and to redeem the Series 2017B Bonds and Taxable Series 2017C Bonds. If the completion of the Project is delayed, the receipt of Entrance Fees necessary for such purposes, as well as the receipt of monthly service fees necessary to fund operations, may be adversely impacted.

Whether or not the Project will be completed on schedule depends upon a large number of factors, many of which may be beyond the control of the Obligor. These include, but are not limited to, adverse weather, strikes, delays in the delivery of or shortages of materials, delays in the issuance of required building permits, delays in obtaining adjacent property construction access, environmental restrictions or similar unknown or unforeseeable contingencies. Further, although construction work will be inspected periodically by the Construction Consultant, there can be no assurance that the Project will conform to construction specifications or state or local regulations. The occurrence of any of the foregoing could result in increases in construction costs or considerable delays in, or complete impossibility of, completion of the Project, resulting in a failure to achieve anticipated operating results. Construction costs could exceed the amounts originally forecast due to a number of factors. See **"LIQUIDITY SUPPORT AGREEMENT"** herein with respect to certain situations where the Obligor can access certain funds to cover any increased construction costs.

The above-described construction factors could result in delaying occupancy of the Project and thus the Entrance Fees and other revenue flow therefrom. Management of the Obligor anticipates that the building permits and agreements from adjacent property owners granting construction access will be obtained in due course. See **APPENDIX A - "REGULATORY AND ENVIRONMENTAL PERMITS AND**

APPROVALS - Building Permits" and "REGULATORY AND ENVIRONMENTAL PERMITS AND APPROVALS - Construction Access Agreements." It is anticipated that the proceeds from the sale of the Bonds, together with anticipated investment earnings thereon and certain funds of the Obligor, will be sufficient to complete the construction and equipping of the Project based upon the fixed price obtained from the construction manager for the Project. However, cost overruns for projects of this magnitude may occur due to change orders and other factors. In addition, the date of substantial completion may be extended by reason of changes authorized by the Obligor, delays due to acts or neglect of the Obligor or by independent contractors employed by the Obligor or by labor disputes, fire, unusual delay in transportation, adverse conditions not reasonably anticipated, unavoidable casualties or any causes beyond the control of the contractors. Cost overruns could also result in the Obligor not having sufficient moneys to complete construction of the Project, thereby materially affecting the receipt of revenues needed to pay debt service on the Bonds.

Construction Consultant Approval of Construction Draws

The ability of the Obligor to receive disbursement from the Project Account of the Construction Fund held under the Bond Indenture is subject to compliance by the Obligor with various requirements of the Construction Disbursement and Monitoring Agreement by and among the Obligor, the Construction Consultant and the Master Trustee.

If the conditions to receipt of disbursements are not met, the Construction Consultant may temporarily suspend construction draws. A temporary suspension of funding might cause delay in completion and related cost overruns. Proceeds remaining in the Project Fund together with other funds held under the Bond Indenture would not be sufficient to pay the principal of the Bonds upon acceleration.

Property Tax Exemption

The Obligor has filed an application for a property tax exemption with DCAD. The application for property tax exemption is based upon a provision in Chapter 11 of the Texas Property Tax Code wherein certain organizations are exempt from property taxes if, among other requirements, they provide charity care in an amount equal to or greater than 4.0% of their annual net patient revenues. The Obligor has included the expenses associated with the provision of this charity care in management's financial forecast included with the Financial Feasibility Study attached as **APPENDIX B** hereto. The exemption does not require an annual application, however if additional property is acquired, a new application would be required.

Additionally, various state and local legislative, regulatory and judicial bodies have recently reviewed the exemption of various not-for-profit corporations from real estate taxes and in some instances have sought to overturn all or parts of such exemptions on the grounds that a portion of the property was not being used to further the

organization's charitable purposes. Determinations in several of these disputes have favored the taxing authorities or have resulted in settlements. In the event a similar determination is made or such exemption is overturned with respect to the Obligor or the Community, the Obligor could become subject to property taxes. **The payment of potential property taxes (in the event the application is denied or an appeal of such denial is unsuccessful) are not included in the projected expenses in management's financial forecast included with the Financial Feasibility Study attached as APPENDIX B hereto since the amount of such potential taxes are unknown and not expected to be paid at this time.** In such an event, imposition of such property taxes may cause the Obligor to charge higher rates, which might affect the competitive position of the Community within its service area and could materially affect the availability of revenues needed to pay debt service on the Bonds.

Occupancy and Utilization Demand

The economic feasibility of the Project depends in large part upon the ability of the Obligor to initially attract sufficient numbers of residents to the Community and to achieve and maintain substantial occupancy throughout the term of the Bonds. This depends to some extent on factors outside management's control, such as the residents' right to terminate their Residency Agreements, subject to the conditions provided in the Residency Agreements. If the Obligor fails to maintain substantial occupancy at the Community, the Obligor may not generate sufficient funds to satisfy its repayment obligations with respect to the loan of the proceeds of the Bonds. If market changes require a reduction in the amount of fees payable by residents and patients, there would be a consequent reduction in the revenues of the Obligor. Such reduction would also result if the Obligor is unable to fill vacancies becoming available when residents die, relocate, withdraw or are permanently transferred to any other facility.

In addition, other factors may reduce the need for services and facilities such as those offered at the Community, including: (i) efforts by insurers and governmental agencies to reduce utilization of skilled nursing home and long term care facilities by such means as preventive medicine and home health care programs; (ii) advances in scientific and medical technology that eliminate the need for certain types of institutional or outpatient health care services; (iii) a decline in the population, a change in the age composition of the population or a decline in the economic conditions of the service area of the Community; and (iv) increased or more effective competition from other retirement and health care communities and long term care facilities now or hereafter located in the service area of the Community. If the Community fails to maintain occupancy levels as management forecasted in the Financial Feasibility Study, there may be insufficient funds to pay the debt service on the Bonds. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein. See APPENDIX B hereto.**

Licensing Delay

The timeline to achieve licensure for health care, memory support or assisted living may be longer than expected and negatively impact occupancy levels and revenues of the Obligor. Any delay in the licensing and full operation of the health center, memory support units or assisted living units would result in losses in excess of those projected in the Financial Feasibility Study in **APPENDIX B** to this Official Statement. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See **APPENDIX B** hereto.

Competition

The Obligor provides services in areas where other competitive facilities exist and may face additional competition in the future as a result of the construction or renovation of competitive facilities in the primary or secondary market area of the Obligor. There may also arise in the future competition from other continuing care facilities, some of which may offer similar facilities, but not necessarily similar services, at lower prices. See the Financial Feasibility Study in **APPENDIX B** hereto. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See **APPENDIX B** hereto.

Liquidation of Security May Not be Sufficient in the Event of a Default

The Bond Trustee and the Issuer must look solely to the Mortgaged Property, the Gross Revenues and any funds held under the Bond Indenture and the Master Indenture to pay and satisfy the Bonds in accordance with their terms. The Bondholders are dependent upon the success of the Obligor's facilities and the value of the assets of the Obligated Group for the payment of the principal of, redemption price, if any and interest on, the Bonds. The Obligor has not made any representations to Bondholders regarding the current market value of its facilities. In the event of a default, the value of the Mortgaged Property may be less than the amount of the outstanding Bonds, since the Obligated Group's facilities exist for the narrow use as retirement, assisted care and nursing home facilities. In addition, even without consideration of the special purpose nature of the facilities, the sale of property at a foreclosure sale may not result in the full value of such property being obtained. The special design features of a continuing care facility and the continuing rights of residents under continuing care and lease agreements may make it difficult to convert the facilities to other uses, which may have the effect of reducing their attractiveness to potential purchasers. In the event of a default and subsequent foreclosure and sale of the Mortgaged Property, Bondholders have no assurance that the value of the Mortgaged Property would be sufficient to pay the outstanding principal and interest due under the terms of the Bonds. Accordingly, in the event of foreclosure and sale of the Mortgaged Property, Bondholders may not receive all principal and interest due under the terms of the Bonds.

Malpractice Claims and Losses

The Obligor has covenanted in the Master Indenture to maintain, or cause to be maintained, at its sole cost and expense, insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate to protect its property and operations. Pursuant to the Master Indenture, the Obligated Group or any Member may self-insure if an Insurance Consultant or Insurance Consultants determine(s) that such self-insurance meets the standards set forth in the Master Indenture and is prudent under the circumstances. However, such amounts could still result in claims which are effectively uninsured. The operations of the Obligor may be affected by increases in the incidence of malpractice lawsuits against elder care facilities and care providers in general and by increases in the dollar amount of client damage recoveries. These may result in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. It is not possible at this time to determine either the extent to which malpractice coverage will continue to be available to the Obligor or the premiums at which such coverage can be obtained.

Present and Prospective Federal and State Regulation

General. The operations of the Community, like other health care facilities throughout the country, will be affected on a day-to-day basis by numerous legislative, regulatory and industry-imposed operations and financial requirements which are administered by a variety of federal and state governmental agencies as well as by self-regulatory associations and commercial medical insurance reimbursement programs. Further, President Trump and Congressional Republicans have expressed continued intention to repeal and/or replace the hereinafter described Health Care Reform Act and to effectuate a substantial rollback of federal regulations across all facets of the federal government. However, a recent Congressional effort to enact such legislation was unsuccessful, thereby making the exact scope and timing of any such plans remain unclear. Accordingly, it is impossible to predict the effects of any such legislative or regulatory changes on the operations or financial condition of the Obligor's Facilities.

Additionally, nursing care facilities and assisted living facilities, including those such as the Community, are subject to numerous licensing, certification, accreditation, and other governmental requirements. These include, but are not limited to, requirements relating to Medicare participation and payment, requirements relating to state licensing agencies, private payors and accreditation organizations and certificate of need approval by state agencies of certain capital expenditures. Renewal and continuance of certain of these licenses, certifications, approvals and accreditations are based upon inspections, surveys, audits, investigations or other review, some of which may require or include affirmative action or response by the Obligor. An adverse determination could result in a

loss, fine or reduction in the Obligor's scope of licensure, certification or accreditation, could affect the ability to undertake certain expenditures or could reduce the payment received or require the repayment of the amounts previously remitted. The Obligor currently anticipates no difficulty in renewing or continuing currently held licenses, certifications and accreditations.

Federal Health Care Reform. The "Patient Protection and Affordable Care Act" and "The Health Care and Education Affordability Reconciliation Act of 2010" (together referred to herein as the "Health Care Reform Act") were enacted in March 2010. Some of the provisions of the Health Care Reform Act took effect immediately while others will take effect over a ten-year period. Because of the complexity of the Health Care Reform Act generally, additional legislation modifying or repealing portions of the Health Care Reform Act is likely to be enacted over time. The Health Care Reform Act provides changes on how consumers pay for their own and their families' health care and how employers procure health insurance for their employees. In addition, the Health Care Reform Act requires insurers to change certain underwriting practices and benefit structures in order to cover individuals who previously would have been ineligible for health insurance coverage. As a result, since the enactment of the Health Care Reform Act, there has been a significant increase in the number of individuals eligible for health insurance coverage. Associated with increased utilization will be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

Some of the specific provisions of the Health Care Reform Act that may impact the feasibility of the Project include the following (this listing is not, is not intended to be, nor should be considered to be comprehensive):

With varying effective dates, the annual Medicare market basket updates for many providers, including skilled nursing, would be reduced, and adjustments to payment for expected productivity gains would be implemented.

The Health Care Reform Act includes the Community Living Assistance Services and Supports (CLASS) Act, which creates a national, voluntary, long-term care insurance program to supplement Medicaid and provide long-term care insurance, effective August 1, 2014.

With varying effective dates, the Health Care Reform Act mandates a reduction of waste, fraud and abuse in public programs by allowing provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The legislation requires the development of a database to capture and share healthcare provider data across federal healthcare programs and also provides for

increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

The Health Care Reform Act provides for the implementation of various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as accountable care organizations, or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The Health Care Reform Act also provides funding for establishment of a national electronic health records system. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

Health Care Reform Act provisions relating to skilled nursing facilities ("SNFs") 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. In addition, the Health Care Reform Act may affect SNF reimbursement through the creation of value-based purchasing payment and post-acute care payment bundling programs and may place limitations on SNF payments for health care acquired conditions. Investors are encouraged to review legislative, legal and regulatory developments as they occur and to assess the elements and potential effects of the health care reform initiative as it evolves.

Health care providers are likely to be subjected to decreased reimbursement as a result of implementation of recommendations of the Health Care Reform Act-created Independent Payment Advisory Board, whose directive is to reduce Medicare cost growth. The recommended reductions would be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets.

It is difficult to predict the full long-term impact of the Health Care Reform Act due to the law's complexity, lack of implementing regulations or interpretive guidance and gradual implementation, as well as an inability to foresee how states, businesses and individuals will respond to the choices afforded them by the law. Additionally, Congressional Republicans, with the backing of President Trump, recently introduced a new health care reform bill seeking to repeal and replace all or a portion of the Health Care Reform Act. The focus of such legislation related to the individual and employer mandates, the exchanges, insurance industry regulations, the Medicaid expansion, and the taxes levied to fund the expenditures related thereto. However, efforts to enact such legislation were unsuccessful and as such, the timing of any repeal and/or replacement of the Health Care Reform Act, and whether it would be in whole or in part, remain unclear.

It is also unclear how and when a replacement plan would be implemented. Investors are encouraged to review legislative, legal and regulatory developments as they occur and to assess the elements and potential effects of the health care reform initiative as it evolves.

Proposed Income Tax Regulation

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Federal legislation has previously been introduced which, if enacted, would have limited the exclusion from gross income of interest on obligations like the Bonds to some extent for certain individual taxpayers. Additionally, President Trump and Congressional Republicans have indicated an intention to propose significant tax reform legislation in the near future which would likely include an income tax rate reduction for individuals and certain corporations. The details and timing of any such proposal have yet to be released.

The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

Nursing Shortage

Recently both the state and national health care industries have experienced a shortage of nursing staff, which has resulted in increased costs for health care providers due to the need to hire agency nursing personnel at higher rates. Both the federal and state governments have implemented, or are considering implementing, legislative efforts to combat the health care industry's workforce shortages, including those in nursing. If the nursing shortage continues, it could adversely affect the Obligor's operations or financial condition.

State Regulatory Issues

Nursing homes in Texas are regulated and inspected in accordance with the terms of the Convalescent and Nursing Homes and Related Institutions Act (the "Nursing Home Act"), Chapter 242 of the Texas Health and Safety Code, as amended, and the regulations promulgated thereunder, in order to ensure that institutions in the state deliver the highest possible quality of care. The Nursing Home Act and the rules and standards under the Nursing Home Act establish the minimum acceptable levels of care. Components of the quality of care addressed by the rules and standards of the Nursing Home Act include quality of life; access to care; continuity of care; comprehensiveness

of care; coordination of services; humaneness of treatment; conservatism in intervention; safety in the environment; and professionalism of caregivers. Accordingly, all licensed nursing home facilities in Texas must implement certain resident rights, and must comply with standards in areas including construction, staffing, education and training, sanitation, diet, equipment, fire safety, and the use and administration of medication. In addition, licensees are subject to periodic inspections, both announced and unannounced, by the Texas Department of Aging and Disability Services ("TDADS").

Texas nursing institutions that care for people with Alzheimer's Disease and related disorders may be certified by TDADS. Facilities applying for certification in accordance with the Nursing Home Act must comply with standards relating to the specialized care and treatment of persons with Alzheimer's. While an institution is not required to be certified in order to provide such care and treatment, an institution that is not so certified may not advertise or otherwise communicate that the institution is certified by TDADS to provide specialized care.

Personal care facilities, or "assisted living" facilities, must be licensed in accordance with the Assisted Living Facility Licensing Act (the "Assisted Living Act"), Chapter 247 of the Texas Health and Safety Code, as amended. Facilities licensed under the Assisted Living Act are defined under Texas law as any establishment that furnishes in one or more facilities food and shelter to four or more persons who are unrelated to the proprietor of the establishment and provides personal care services, including assistance with meals, dressing, movement, bathing, or other personal needs or maintenance; the administration of medication by a person licensed to administer medication or the assistance with or supervision of medication; or general supervision or oversight of the physical and mental well-being of a person who needs assistance to maintain a private and independent residence in an assisted living facility or who needs assistance to manage the person's personal life, regardless of whether a guardian has been appointed for the person. Licensees must comply with standards which ensure quality care and protection of the residents' health and safety without excessive cost, including compliance with the "residents' bills of rights" promulgated by TDADS, and staff educational requirements. Personal care facilities are further subject to inspections by TDADS, and are required to use their license numbers in all advertisements, solicitations, and promotional materials. The Assisted Living Act and the rules and standards under the Assisted Living Act establish the minimum acceptable levels of care. Components of the quality of care addressed by the rules and standards of the Assisted Living Act include quality of life; access to care; continuity of care; comprehensiveness of care; coordination of services; humaneness of treatment; conservatism in intervention; safety in the environment; and professionalism of caregivers. Accordingly, all licensed assisted living facilities in Texas must implement certain resident rights, and must comply with standards in areas including construction, staffing, education and training, sanitation, diet, equipment, fire safety, and the use and administration of medication. In addition,

licensees are subject to periodic inspections, both announced and unannounced, by TDADS.

The Texas Continuing Care Facility Disclosure and Rehabilitation Act (the "CCRC Act"), Chapter 246 of the Texas Health and Safety Code, as amended, governs the provision of continuing care, defined by the CCRC Act as the furnishing of a living unit, together with personal care services, nursing services, medical services or other health related services, regardless of whether the services and the living unit are provided at the same location, under contract that requires the payment of an entrance fee by or on behalf of a resident in exchange for the furnishing of continuing care that is effective either for the life of the individual or for more than one year. Generally, in accordance with the CCRC Act, a resident receiving care in a portion of a facility licensed to provide continuing care services is entitled to receive all the statutory rights provided to a nursing or personal care resident.

Although continuing care facilities are not required to obtain a license, a provider may not acquire a continuing care facility or enter into a continuing care contract without a certificate of authority issued in accordance with the terms of the CCRC Act. Such a certificate may be granted upon a finding that the facility is financially sound, that the competence, experience and integrity of the applicant, its board of directors, its officers, or its management make it in the public interest to issue the certificate, and that the applicant is capable of complying with the provisions of the CCRC Act. Compliance responsibilities include several disclosure requirements, regarding subjects including the provider, management, affiliations with other organizations, physical property, contracts and fees, changes in circumstances, financial information, annual income, and source and application of funds. Further standards relate to contract language, advertisements, cancellation of contracts and the establishment of escrow accounts. Failure to comply with any of the foregoing regulations may have a material adverse effect on the operations of the Obligor as violations of the standards of care set forth by these laws may cause licensure actions, if applicable, and may implicate criminal and civil money penalties.

Although independent living units are not currently subject to a licensure requirement in Texas, H.B. 1168, passed by the 80th Texas Legislature, calls for limited oversight of these agencies. Subject to appropriation of funds by the Texas Legislature, this legislation requires the Executive Commissioner of the Texas Health and Human Service Commission to establish a pilot program intended to require independent living units to begin operating in a regulated environment that would include inspections, assessments of fees, and minimum operating standards. The legislation attempts to regulate facilities that provide personal care to the elderly that are not currently regulated as nursing homes, continuing care facilities, or assisted living facilities. Regulated facilities are to be those that provide services, such as meals, light housework,

transportation, or laundry services, to three or more elderly or disabled persons who are unrelated to the owner of the facility. This would include the Facilities of the Obligor.

The Obligor is required pursuant to the CCRC Act to fund a "Reserve Fund Escrow" equal to the total of all principal and interest payments due during the next 12 months on any long term financing arrangement for the facility, which would include the Obligor's obligations to make payments pursuant to the Loan Agreement. Under the CCRC Act, this requirement may be met by other reserve funds held for the purpose of meeting loan obligations as long as the total amount held in such fund or funds equals or exceeds this required amount (the "Statutory Reserve Requirement"). The Reserve Funds held by the Bond Trustee are intended to satisfy the Statutory Reserve Requirement. Under the CCRC Act, the Bond Trustee may release an amount equal to not more than one twelfth of the Reserve Fund Escrow if the Obligor requests the release in writing; however, the Bond Trustee may not release funds from the Reserve Fund Escrow more than once during a calendar year. The Obligor may at any time apply to the Texas Commissioner of Insurance (the "Insurance Commissioner") for the withdrawal of a greater amount from the Reserve Fund Escrow than that which may be released upon request of the Bond Trustee; the Obligor may withdraw such amount only upon approval of the Insurance Commissioner. Any withdrawal must be repaid no later than 18 months after the date the amount is withdrawn.

The application process for withdrawal upon request of the Insurance Commissioner is governed by regulations of the Texas Department of Insurance, and there can be no assurances given that such a request would be granted. The denial of such a request would, based on the statutory restrictions outlined above, adversely affect the ability of any party to access funds held in the Reserve Funds.

TDADS also licenses, certifies and surveys home and community support services agencies, including home health agencies. Home and community support services agencies must be licensed in accordance with Health and Safety Code Chapter 142. When applying for a license, the applicant may request to be licensed in one or more of six categories of services. Home and community support services agencies provide services such as nursing; physical, occupational, speech, respiratory or intravenous therapy; social services; dialysis; personal assistance services; nutritional counseling; and terminal and palliative care (through hospice agencies) to individuals in a residence or independent living environment.

Fraud and Abuse Enforcement

Health care fraud and abuse laws were enacted at the federal and state levels to regulate both the provision of services to government program beneficiaries and the submission of claims for services rendered to such beneficiaries. Under these laws, individuals and organizations, such as the Obligor, can be punished for submitting claims for services that were not provided, not medically necessary, incorrectly coded, provided

by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, billed in a manner that does not comply with applicable government requirements, furnished in a substandard manner, or other similar reasons.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including recoveries of amounts paid to the provider, imprisonment, exclusion of the provider from participation in the Medicare and Medicaid programs, civil monetary penalties and suspension of payments. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation. The federal government has made the investigation and prosecution of health care fraud and abuse a priority and Congress has authorized significant funding of this effort. As a result, there have been a substantial number of investigations, prosecutions and civil enforcement proceedings of health care-related fraud and abuse in recent years.

Laws governing fraud and abuse apply to virtually all individuals and entities with which a health care provider does business, including hospitals, home health agencies, long-term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), third party administrators, physicians, physician groups, physician practice management companies, ambulatory care entities, laboratories, diagnostic testing facilities, suppliers of medical items and services and other potential referral sources. Fraud and abuse prosecutions can have a catastrophic effect on such entities and a material adverse impact on the financial condition of other entities in the health care delivery system of which that entity is a part.

Federal Criminal Fraud and Abuse Liability of Health Care Providers. Both individuals and organizations may be subject to prosecution under several federal criminal fraud and abuse statutes. Criminal conviction for an offense related to a health care provider's participation in the Medicare program may result in substantial fines and/or the provider's suspension, exclusion or debarment from all government programs, including the Medicare program. Any such fines, exclusions or debarment could have a material adverse effect on the Obligor's financial condition. Even the assertion of a violation could have an effect. The following is a brief discussion of some (but not all) of these federal criminal statutes:

Criminal False Claims Act. The criminal False Claims Act ("Criminal FCA") prohibits anyone from knowingly and willfully making a false statement or misrepresentation of a material fact in submitting a claim to a government health care program (defined as "any plan or program that provides health benefits, whether directly, through insurance, or otherwise, which is funded directly, in whole or in part, by the United States Government" other than the Federal Employees Health Benefit Program). There are numerous specific rules that a health care provider must follow with respect to

the submission of claims. Violation of the Criminal FCA can result in up to five years imprisonment and a fine of up to \$250,000 for an individual and \$500,000 for a corporation for a felony conviction, or \$100,000 for an individual and \$200,000 for a corporation for a misdemeanor conviction. Violation of the Criminal FCA also results in mandatory exclusion from participation in the government health care programs.

Anti-Kickback Law. The federal anti-kickback law ("Anti-Kickback Law") is a criminal statute that prohibits the offering, payment, solicitation or receipt of remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, for (i) the referral of patients or arranging for the referral of patients to receive services for which payment may be made in whole or in part under a government health care program or any state health care program; or (ii) the purchase, lease, order, or arranging for the purchase, lease or order of any good, facility, service or item for which payment may be made under a government health care program. Generally, courts have taken a broad interpretation of the scope of the Anti-Kickback Law. Courts have held that the Anti-Kickback Law may be violated if merely one purpose of a financial arrangement is to induce future referrals of federal or state health care program covered items or services.

The criminal sanctions for a conviction under the Anti-Kickback Law are imprisonment for not more than five years, a fine of not more than \$25,000 or both, for each incident or offense, although this fine may be increased to \$250,000 for individuals and \$500,000 for organizations. If a party is convicted of a criminal offense related to participation in the Medicare program or any state health care program, or is convicted of a felony relating to health care fraud, the secretary of the United States Department of Health and Human Services ("DHHS") is required to bar the party from participation in federal health care programs and to notify the appropriate state agencies to bar the individual from participation in state health care programs.

Because of the government's vigorous enforcement efforts, many health care providers may be subject to some type of government investigation for alleged Anti-Kickback Law violations involving relationships such as those between health care providers and physicians, as well as the operations of any nursing homes, home health agencies, hospices and ancillary service providers owned or operated by a health care provider. The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict and defense efforts can be costly. Violations of Anti-Kickback Law may also implicate civil False Claims Acts (discussed below) if the violating claim results from an illegal referral.

However, imposition of such penalties or exclusions may result in a significant loss of reimbursement and may have a material adverse effect on the Obligor's financial condition. Even the assertion of a violation could have a material adverse effect on the financial condition and results of operations of the Obligor.

OIG Advisory Opinions. In the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), Congress provided for an advisory opinion process in conjunction with the Anti-Kickback Law. These advisory opinions are issued only to the requestors and cannot be relied on by any other individual or entity. The Obligated Group has not requested, and does not plan to request, an Office of the Inspector General ("OIG") Advisory Opinion with respect to issues or arrangements that the Obligated Group may have relating to Anti-Kickback Law, including compliance with the safe harbor provisions discussed below.

"Safe Harbor" Regulations. The Medicare and Medicaid Patient and Program Protection Act of 1987 required the DHHS to promulgate regulations to clarify that certain investment and payment practices in the health care industry would not violate the Anti-Fraud and Abuse Statute. In response, the DHHS has promulgated final "safe harbor" regulations that set forth requirements that, if met, will protect certain payment arrangements. The scope of these safe harbors is narrow, and the requirements are specific.

The scope of the Anti-Kickback Law is not expanded by way of the safe harbor regulations; these regulations give those who comply completely with a safe harbor the assurance that they will likely not be prosecuted under the statute. Parties to a particular venture or contemplating entering into a specific arrangement may seek an Advisory Opinion from the OIG to ascertain whether the arrangement will meet the requirements of a safe harbor or otherwise will violate the Anti-Kickback Law.

Federal Civil Fraud and Abuse Liability of Health Care Providers. Unlike criminal statutes, which require the government to prove that the health care provider intended to violate, or recklessly disregarded, the law, civil statutes may be violated simply by the provider's participation in a prohibited financial arrangement or actual or assumed knowledge that its claims procedures are not in full compliance with the law.

Civil False Claims Act/Qui Tam Actions. The civil False Claims Act ("Civil FCA"), which has become one of the federal government's primary weapons against health care fraud, allows the government to recover significant damages from persons or entities that submit false or fraudulent claims for payment to a federal agency. With respect to certain types of required information, the Civil FCA and the Social Security Act may be violated by mere negligence or recklessness in the submission of information to the government even without any specific intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance may all result in liability. If a health care provider is found to have violated the Civil FCA, the potential liability is substantial and, for serious or repeated violations, may include significant fines and/or civil monetary penalties and exclusion from participation in the Medicare program.

The Civil FCA also provides for a private individual to initiate a civil action for a violation of the Act. These actions are referred to as Qui Tam actions. In this way, an individual, known as a whistleblower would be able to sue on behalf of the U.S. Government upon belief that a healthcare entity has violated the Civil FCA. If the government proceeds with an action brought by this individual, then the whistleblower could receive as much as 25 percent of any money recovered. The potential exists that a Qui Tam action could be brought against the Obligor or any future Members of the Obligated Group.

Stark Law. Current federal law (known as the "Stark" law provisions) prohibits providers of "designated health services" from billing Medicare when the patient is referred by a physician or an immediate family member with a financial relationship with the provider, unless the financial relationship fits into a statutory or regulatory exception. The sanctions under the Stark law include denial and refund of payments, civil monetary penalties and exclusions from the Medicare program.

The Stark law includes specific reporting requirements providing that each entity furnishing covered items or services, upon request, must provide the Secretary of DHHS with certain information concerning its ownership, investment and compensation arrangements. Failure to adhere to these reporting requirements may subject the entity to significant civil money penalties.

In light of the scarcity of case law interpreting the Stark law, there can be no assurances that the Obligated Group will not be found to have violated the Stark law, and if so, whether any sanction imposed would have a material adverse effect on the operations or the financial condition of the Obligor. However, BRS, as manager of the Community, has a compliance program in place to ensure material compliance with the Stark law and the Obligor plans to adopt and participate in the same such compliance program prior to completion of the Project.

Civil Provisions of Anti-Kickback Law. The federal Anti-Kickback Law, discussed above, also includes civil standards and penalties for conduct that implicates this statute but falls short of the necessary level of intent and knowledge to be criminal. In the Balanced Budget Act of 1997, Congress expanded civil sanctions under the Anti-Kickback Law to include civil money penalties of \$50,000 for each prohibited act and up to "three times the total amount of remuneration offered, paid, solicited, or received, without regard to whether a portion of such remuneration was offered, paid, solicited, or received for a lawful purpose."

Administrative Enforcement. As with civil laws, administrative enforcement provisions require a lower standard of proof of a violation than the criminal standard. Thus, health care providers have a risk of incurring monetary penalties as a result of an administrative enforcement action.

Civil Monetary Penalties Law. The Civil Monetary Penalties Law in part authorizes the government to impose money penalties against individuals and entities committing a variety of acts. For example, penalties may be imposed for the knowing presentation of claims that are (i) incorrectly coded for payment, (ii) for services that are known to be medically unnecessary, (iii) for services furnished by an excluded party, or (iv) otherwise false. An entity that offers remuneration to an individual that the entity knows is likely to induce the individual to receive care from a particular provider may also be fined. Moreover, a health care provider may not knowingly make a payment, directly or indirectly, to a physician as an inducement to reduce or limit services to Medicare or Medicaid patients under the physician's direct care. Pursuant to the health care reform statutes, Congress amended the Civil Monetary Penalties Law to authorize civil monetary penalties for a number of additional activities, including (i) knowingly making or using a false record or statement material to a false or fraudulent claim for payment; (ii) failing to grant the OIG timely access for audits, investigations, or evaluations; and (iii) failing to report and return a known overpayment within statutory time limits. Violations of the Civil Monetary Penalties Law can result in substantial civil monetary penalties plus three times the amount claimed. The Centers for Medicare and Medicaid Services ("CMS") rules adopted to implement applicable provisions of the health care reform statutes also provide that assessed civil monetary penalties may be collected and placed in whole or in part into an escrow pending final disposition of the applicable administrative and judicial appeals processes. To the extent the Obligor is assessed large civil monetary penalties that are collected and placed into an escrow account pending lengthy appeals, such actions could adversely affect its results of operations.

Exclusions from Medicare Participation. The term "exclusion" means that no Medicare or state health care program reimbursement (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 DHHS is required to exclude from federal health care program participation for not less than five years any individual or entity convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program; any criminal offense relating to patient neglect or abuse in connection with the delivery of health care; a felony relating to fraud, theft, embezzlement, breach of fiduciary responsibility or other misdemeanor in connection with the delivery of health care services or with respect to any act or omission in a health care program (other than Medicare or a state health care program) operated by or financed in whole or in part by a governmental agency; or a felony offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The Secretary also has permissive authority to exclude individuals or entities under certain other circumstances, such as a misdemeanor conviction for fraud in connection with delivery of health care services or conviction for obstruction of an investigation of a health care violation. The minimum period of exclusion for certain permissive

exclusions is three years. Exclusion of the Obligor could have a material impact on the ability of the Obligor to make payments on the Series 2017 Notes.

Enforcement Activity. Enforcement activity against health care providers is increasing, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many nursing facilities, hospitals, physician groups and other health care providers will be subject to investigation, audit or inquiry regarding billing practices or false claims. As with other health care providers, the Obligor may be the subject of Medicare, OIG, U.S. Attorney General, Department of Justice, state attorney general investigations, audits or inquiries in the future. Because of the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries is increasing and could result in enforcement action against the Obligor.

Regardless of the merits of a particular case or cases, the Obligor could incur significant legal and settlement costs. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Obligor, regardless of the outcome, and could have material adverse consequences on the financial condition of the Obligor.

Other Sources of Liability for Health Care Providers

Federal Statutes. Health care providers may be subject to criminal prosecution and civil penalties under a variety of federal laws in addition to those discussed in the previous paragraphs, notably the following:

Deficient Care. The Health Care Reform statutes mandate increased coordination between the Department of Justice and other federal, state and private agencies relating to elder abuse and neglect. In light of this mandate, nursing facilities should expect an increase in federal criminal and civil investigations, where quality-of-care complaints have been made. The federal government has numerous avenues it can pursue if it determines that a nursing facility has provided deficient care. It can seek repayment of charges for substandard care via the Civil FCA, or bring civil complaints for injunctive and other relief pursuant to other statutes such as the Fair Housing Act, 42 U.S.C. § 3601 et seq.; the Rehabilitation Act, 29 U.S.C. § 794 et seq.; and the Americans with Disabilities Act, 42 U.S.C. §§ 12131-12134, 12181-12189. In addition, when the government determines that the nursing home's services are so deficient as to constitute a crime, it can choose to initiate criminal charges under various criminal laws and regulations. In addition to these potential consequences, a nursing home that is under civil complaint or criminal indictment can also expect collateral administrative consequences, including licensure suspension and Medicare reimbursement suspension.

Privacy and Security Regulations. The confidentiality and security of patient medical records and other health information is subject to considerable regulation by state and federal governments. The administrative simplification provisions of HIPAA as

amended by the Health Information Technology for Economic and Clinical Health Act, or the "HITECH Act," under the American Recovery and Reinvestment Act of 2009 ("ARRA") which was signed into law on February 17, 2009, established programs under Medicare and Medicaid for privacy and security of patient identifiable information, provided incentive payments for the "meaningful use" of certified electronic health records technology, and mandated that standards and requirements be adopted for the electronic transmission of certain health information. DHHS has issued a series of regulations to comport with these requirements.

The ARRA contained significant changes to HIPAA including a new requirement that covered entities must make notification in the event of a material breach of privacy, security or integrity of protected health information to individuals, DHHS, and in certain instances, depending on the number of people whose information was subject to the breach, to the media. In addition, the ARRA increased the liability of business associates of covered entities and places additional administrative responsibilities on health care providers and other covered entities regarding the privacy and security of health information. Pursuant to the ARRA, DHHS will be required to conduct periodic HIPAA compliance audits to ensure that covered entities, including health care providers, are complying with HIPAA and the new requirements created by the ARRA.

Congress also established criminal penalties for knowingly violating patient privacy. Criminal penalties include up to \$50,000 and one year in prison for obtaining or disclosing protected health information; up to \$100,000 and up to five years in prison for obtaining protected health information under "false pretenses"; and up to \$250,000 and up to ten years in prison for obtaining or disclosing protected health information with the intent to sell, transfer or use it for commercial advantage, personal gain or malicious harm. In addition, the ARRA authorizes state attorneys general to bring civil actions seeking either an injunction or damages in response to violations of HIPAA privacy and security regulations that threaten state residents.

While the effect of the HITECH Act and the Budget cannot be predicted at this time, the obligations imposed by the HITECH Act and the Budget could have a material adverse effect on the financial condition of the Obligor. In addition, there is no guarantee that the financial incentives for adopting the qualified electronic health records system will be sufficient to offset the Obligor's costs for development and implementation of such a system.

These standards impose very complex procedures and operational requirements with which the Obligor is required to comply. There can be no assurance that differing interpretations of existing laws and regulations or the adoption of new laws and regulations would not have a material adverse effect on the ability of the Obligor to obtain or use health information which, in turn, could have a material adverse effect on the business of the Obligor. Similarly, because of the complexity of these regulations,

there can be no assurances that the Obligor would not be reviewed, found to violate these standards and assessed penalties for such violations.

Texas Statutes. Health care providers in Texas also are subject to prosecution and civil penalties under state statutes, including the following:

Texas Non-Solicitation of Patients Act. The Texas Non-Solicitation of Patients Act ("TSPA") is similar to the federal Anti-Kickback Law. The TSPA prohibits any person, including a physician, from knowingly offering to pay or agreeing to accept any remuneration directly or indirectly, overtly or covertly, in cash or in kind, to or from a person, firm, association of persons, partnership or Obligor, for securing or soliciting patients or patronage for or from a person licensed, certified or registered by a state health care regulatory agency. The TSPA is extremely broad and applies to services covered by any payor, including private insurance and self-pay, whereas the federal Anti-Kickback Law is limited to services covered under a federal or state health care program. An offense under the TSPA by a person other than a government employee is a Class A misdemeanor. A second offense or an initial offense by a government employee is a third degree felony. An offense under the TSPA may also result in disciplinary action by the licensing agency and civil penalties up to \$10,000 a day per violation. The Texas Attorney General or a district or county attorney may seek an injunction to prevent continued violation of the TSPA.

Workers' Compensation Fraud. Regulations published by the Texas Workers' Compensation Commission impose administrative penalties for certain improper inducements. Specifically, all participants in the workers' compensation system are prohibited from intentionally, knowingly, or willfully soliciting, offering, receiving or paying any remuneration in exchange for: (1) referring an injured employee to a person for the furnishing, or arranging for the furnishing, of any item, treatment, or service constituting a medical benefit payable by the workers' compensation program; or (2) purchasing, ordering, leasing, or arranging for or recommending the purchase, order, or lease of any good, facility, service, treatment or item constituting a medical benefit payable by the workers' compensation program. Sanctions include exclusion from participation in the program and monetary fines.

Texas Medicaid Fraud Prevention Act. The Texas Medicaid Fraud Prevention Act imposes civil penalties for various fraudulent acts performed with knowledge that relate to the application for or receipt of a benefit, contract or payment under the Medicaid program. Civil remedies for a violation of the Act include suspension or revocation of a Medicaid provider agreement, restitution, and penalties that may include twice the value of the unauthorized payment or benefit. A person found liable for violating this statute in a lawsuit for civil penalties brought by the Texas Attorney General will be barred from participating in the Medicaid program for at least 10 years. In addition, the relevant regulatory agency may suspend or revoke a provider agreement or a license issued to a liable defendant. A person who commits an unlawful act under the Texas Medicaid

Fraud Prevention Act commits a crime. The degree of crime committed (misdemeanor or felony) is tied to the value of any payment or benefit provided by Medicaid as a result of the unlawful act. The Act also authorizes a private person to bring a qui tam action for violation of the Act.

Texas Medicaid False Claim Act. The Texas Medicaid False Claim Act makes it unlawful for a person who is under a contract or provider agreement to participate in the Medicaid program to present a claim that contains a statement or representation that the person knows or should know to be false. Civil penalties under this act include restitution and interest, penalties up to twice the amount paid because of the false claim, and specified civil penalties.

Texas Insurance Claim Fraud Act. The Texas Insurance Claim Fraud Act provides that a person commits an offense if the person, with the intent to defraud or deceive an insurer, presents to an insurer, in support of a claim for payment under a health insurance policy, a statement that the person knows contains false or misleading information concerning a material matter and the matter affects a person's right to a payment or the amount of such payment. A person also commits an offense under the Act if the person, with the intent to defraud an insurer, solicits, offers, pays, or receives a benefit in connection with the furnishing of health care goods or services for which payment is sought under a health insurance policy. An offense under the Act may be a Class A, B, or C misdemeanor or a felony of the third, second, or first degree, depending upon the value of the claim, whether the person has been previously convicted under the Act, and whether the commission of the offense placed a person at risk of death or serious bodily injury. A person or entity who makes a determination or reasonably suspects that a fraudulent insurance act has been committed or is about to be committed must report such acts to the Texas Department of Insurance Fraud Unit within 30 days. The person or entity retains any liability resulting from the failure of the organization to properly report fraud as required by the new statutory provisions.

Health Insurance Fraud and Unprofessional Conduct Statutes. The Texas Legislature has also adopted legislation regarding unprofessional conduct by healthcare providers. This legislation imposes penalties and disciplinary action against a health care provider for certain actions, including knowingly submitting a false or fraudulent claim for the payment of a loss under an insurance policy, and knowingly preparing any writing with intent to present or use the writing in support of a false or fraudulent claim under an insurance policy. In addition to other provisions of civil or criminal law, commission of unprofessional conduct constitutes cause for the revocation or suspension of a provider's license, permit, registration, certificate or other authority or other disciplinary action

Medical Records Privacy Act. Texas law contains prohibitions against using protected health information without an individual's consent or authorization for certain types of marketing uses and communications. Individuals can sue for violations of these laws. The Texas Legislature also enacted stringent health privacy legislation that extends

patient protections beyond HIPAA. The law applies to HIPAA covered entities doing business in the state. Other individuals and organizations that possess protected health information also will fall under the broader Texas definition of "covered entity" and are subject to these strict privacy standards. The law is designed to better ensure the security and privacy of protected health information exchanged via electronic means. The law also grants new enforcement authority to a variety of state agencies, establishes standards for the use of electronic health records, and increases penalties for the wrongful disclosure of protected health information, including creating a new felony for wrongfully accessing electronic health records. Texas covered entities must provide ongoing training to their employees regarding state and federal privacy laws. The law also grants patients additional rights and remedies concerning access to their electronic health records. The Texas attorney general may impose substantial penalties (up to \$1,500,000 annually) against Texas covered entities that violate the new law. Further, the law requires that any business that conducts business in Texas and owns or licenses computerized data that includes "sensitive personal information" must provide notification to Texas residents if the residents' sensitive personal information was wrongfully acquired by an unauthorized person. Thus, the law's notification provisions are broader than the breach notification provisions under HIPAA (as implemented by ARRA), as "sensitive personal information" under state law is defined more broadly than "protected health information" under HIPAA.

Texas Identity Theft Enforcement and Protection Act. Under the Texas Identity Theft Enforcement and Protection Act, a business must notify its customers if there is an information security breach of certain sensitive personal information. The Texas Legislature expanded the scope of this law to include information about an individual's physical or mental health or payment for health care services under the definition of "sensitive personal information," thereby requiring notification in the event of a breach of such health information. The Obligor plans to operate in material compliance with this statute.

Corporate Practice of Medicine. Texas prohibits general business corporations from practicing medicine, employing physicians, or even providing professional services under the supervision of a licensed practitioner. These laws are commonly referred to as "corporate practice of medicine" laws. The Obligor believes it is in material compliance with current Texas law on this subject.

Medicare and Medicaid Programs

Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. The reimbursement system used is a prospective payments system that sets rates for each facility for future periods with no retroactive reconciliation of rates paid to actual expenditures. As a result of budget constraints,

Medicaid funding has been limited to levels below the funding that would have otherwise been calculated.

The Obligor anticipates receiving certification to provide services that are reimbursed by Medicare in the Community. Any delay in receipt of or failure to receive Medicare certification may negatively impact revenues of the Obligor. The Obligor has made certain assumptions upon receipt of Medicare certification regarding reimbursement rates and the timeframe to receive reimbursement. A delay in receipt of reimbursement or a lower than anticipated reimbursement rate may negatively impact revenues of the Obligor.

A portion of the net resident service revenues of the Obligor will be from third party payors that reimburse or pay for the services and items provided to residents covered by such third parties for such services, including the federal Medicare program, state Medicaid program and private health plans and insurers. In addition or alternative to the provisions relating to Medicare and Medicaid described above, these third-party payors may make payments to the Obligor at rates other than the direct charges of the Obligor, which rates may be determined other than on the basis of the actual costs incurred in providing services and items to residents and may even be able to restrict or refuse participation by the Obligor. Accordingly, there can be no assurance that payments made under these programs will be adequate to cover the actual costs incurred by the Obligor in furnishing health care services and items or that such payment programs will even be available. In addition, the financial performance of the Obligor could be adversely affected by the insolvency of, or other delay in receipt of payments from, third-party payors, which provide coverage for services to their residents. Changes to reimbursement rates or reimbursement methodologies in the future are likely to directly affect the Obligor and those effects could be material and adverse.

For Medicaid reimbursement of both nursing facilities and assisted living facilities, Texas uses case mix systems with uniform payment rates according to the assessed characteristics of the beneficiary. For reimbursement of home health services, Texas reimburses providers at rates established for the specific authorized home health services and published in Medicaid fee schedules.

It is estimated that Medicaid pays for more than two-thirds of SNF patient-days annually. Texas sets a daily reimbursement rate ostensibly tied to the "allowable costs" of providing care in nursing facilities. However, according to an analysis by the American Health Care Association conducted in 2014, nursing facilities in Texas are significantly underfunded because the actual cost of providing care exceeds the amounts paid under Medicaid. Such analysis concluded that Texas ranks in the top ten in the nation in terms of aggregate Medicare underfunding.

There is an expanding and increasingly complex body of law, regulation and policy (both federal and state) relating to the Medicaid and Medicare programs, which is

not directly related to payments under such programs. This includes reporting and other technical rules as well as broadly stated prohibitions regarding improper inducements for referrals, referrals by physicians for designated health services to entities with which the physicians have a prohibited financial relationship, and payment of kickbacks in connection with the purchase of goods and services. See "**Fraud and Abuse Enforcement**" and "**Administrative Enforcement**" above. Violations of prohibitions against false claims, improper inducements and payments, prohibited physician referrals, and illegal kickbacks may result in civil and/or criminal sanctions and penalties. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the Medicaid and Medicare programs. The determination that the Facilities of the Obligor were in violation of these laws could have a material adverse effect on finances of the Obligor.

State Medicaid Program Expenditures and Medicaid Managed Care

The Texas Legislature passed legislation which became effective on September 28, 2011, and included several major reforms of the Texas Medicaid program. Among other things, the legislation places prescription drug benefits into Medicaid managed care with existing patient protections; implements an electronic visit verification system to deter fraud in community care programs; repeals the prohibition against Medicaid managed care in South Texas; aligns Medicaid reimbursement with patient outcomes rather than quantity of services; authorizes the certification of health care collaboratives that will allow providers to join together to provide care that promotes quality, patient engagement and coordination of services; and authorizes Texas to enter into a health care compact with other states to design programs that meet the state's unique needs.

In December 2011, Texas received federal approval of a demonstration waiver under Section 1115 of the Social Security Act (the "1115 Waiver") that preserves upper payment limit funding under a new methodology, but allows for managed care expansion to additional areas of the state.

Under the 1115 Waiver, supplemental payment funding, managed care savings, and negotiated funding go into two statewide pools over five years. Funding from the pools is distributed to hospitals and other providers to support the following objectives: (i) an uncompensated care ("UC") pool to reimburse for uncompensated care costs as reported in the annual waiver application/UC cost report; and (ii) a Delivery System Reform Incentive Payment ("DSRIP") pool to incentivize hospitals and other providers to transform their service delivery practices to improve quality, health status, patient experience, coordination, and cost-effectiveness. The 1115 Waiver expired on September 30, 2016, at which point THHSC and CMS agreed to a 15-month extension which maintains the current funding levels and methodology through December 31, 2017.

THHSC has recently requested an additional 21 months extension of the 1115 Waiver which would continue to provide level funding for the UC and DSRIP pools, and a continuation of the managed care provisions therein, through Sept. 30, 2019. THHSC has expressed that the extension is necessary to allow President Trump and Congress to make changes to the nation's health care system, and the Medicaid program specifically, during 2017. See **"RISK FACTORS - Present and Prospective Federal and State Regulation - Federal Health Care Reform"** herein. The proposed 21-month extension would also allow the Texas Legislature to respond to any federal changes and sufficient time for THHSC to develop a new 1115 Waiver proposal. This extension would provide financial and operational certainty for Texas providers to continue serving Medicaid and low-income uninsured populations that benefit from the waiver while the Trump administration determines its policies regarding Section 1115 demonstration waivers.

In addition, legislation was recently introduced during the most recent Texas legislative session seeking to impose a fee on senior living providers across the state equal to approximately six percent of certain revenue which would be used to draw down matching dollars from the federal government through CMS. Such fees would then be distributed back to the providers, dollar-per-dollar, in addition to the matching federal funds which would be split and put towards improving Medicaid rates and improving resident care based on a CMS five-star rating program. However, this legislation was left pending in committee and it is therefore unclear if and when such legislation will be enacted. **Accordingly, the payment of potential fees are not included in the projected expenses in management's financial forecast included with the Financial Feasibility Study attached as APPENDIX B hereto since the potential fees are not expected to be paid at this time.**

Government Healthcare Program Audits

Providers are audited for compliance with the requirements for participation under government healthcare programs. If audits discover alleged overpayments, the Obligor could be required to pay a substantial rebate of prior years' payments. The federal government contracts with several third-party entities to conduct audits and reviews of providers, including "recovery audit contractors" ("RACs") that contract on a contingent fee basis to audit the propriety of payments to Medicare and Medicaid providers. Medicaid Integrity Contractors, tasked with auditing payments of Medicaid claims, and Zone Program Integrity Contractors, tasked with identifying Medicare fraud and abuse, are other third-party contractors currently utilized by CMS. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to the Obligor under these programs. These audits can often require several years to reach the final determination of amounts due to or from the Obligor. The Obligor believes that it has reserved sufficiently for future audit adjustments. Nevertheless, ultimate liability could exceed reserves, and any excess could be substantial. Medicare and Medicaid regulations

also provide for withholding Medicare and Medicaid payment in certain circumstances, which could adversely affect the Obligor's cash flow.

Transparency and Accountability Requirements

The health care reform statutes impose substantial new transparency requirements for Medicare-participating nursing facilities. In addition to previously required disclosures regarding a facility's owners, management and secured creditors, the health care reform statutes expanded the required disclosures to include information regarding the facility's organizational structure, additional information on officers, directors, trustees and "managing employees" of the facility (including their names, titles, and start dates of services), and information regarding certain parties affiliated with the facility. The new transparency provisions could result in the potential for greater government scrutiny and oversight of the ownership and investment structure for SNFs, as well as more extensive disclosure of entities and individuals that comprise part of SNFs' ownership and management structure.

The health care reform statutes require SNFs to operate compliance and ethics programs to be followed by its employees and agents. Such programs, which may be tailored to the size of the organization, must be effective in preventing and detecting certain criminal, civil, and administrative violations. The Obligor believes that it will be in material compliance with these requirements by the applicable deadlines.

Private Health Plans and Insurers

In many markets, managed care plans, including HMOs, PPOs, point of service providers ("POS"), consumer-driven care and other similar mechanisms for arranging for healthcare payment have largely replaced indemnity insurance. Such "managed care" plans generally use discounts and economic incentives to reduce or limit the cost and utilization of healthcare services.

In the environment of increasing managed care, the Obligor can expect additional challenges in maintaining its resident population and attendant revenues. Third-party payors typically direct their subscribers to providers who have agreed to accept discounted rates or reduced per diem charges. Continuing care retirement communities are less sensitive to this directed utilization than stand-alone SNFs; however, the risk may increase and the Obligor may be required to accept residents under such conditions should managed care cost reduction measures now pervasive in the healthcare industry continue to grow. The effect of managed care on the Obligor's future financial condition is difficult to predict and may be different in the future than that reflected in the historical financial information included herein.

Possible Changes in Tax Status of Obligor

The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Obligor of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Obligor and thereby the revenues of the Obligor. The Obligor has obtained a letter from the Internal Revenue Service determining that it is exempt from federal income taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code. The Financial Feasibility Study includes an assumption that the Obligor will continue to be treated as an organization described in Section 501(c)(3) of the Code. As an exempt organization, the Obligor is subject to a number of requirements affecting its operation. The failure of the Obligor to remain qualified as an exempt organization would affect the funds available to the Obligor for payments to be made under the Loan Agreement. Failure of the Obligor or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with Bond proceeds, could cause interest on the Bonds to be included in the gross income of Bondholders or former Bondholders 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 nonprofit corporations. There can be, however, 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 Obligor by requiring it to pay income taxes.

Lack of Marketability for the Bonds

The Bonds are not rated. When any Bondholder attempts to resell its Bonds, this absence of a rating could adversely affect the market price and marketability thereof.

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

Bankruptcy

If the Obligor were to file a petition for relief under the Federal Bankruptcy Code, its revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests created under the Master Indenture. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligor and its property and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the

bankruptcy court so ordered, the Obligor's property, including their accounts receivable and proceeds thereof, could be used for the benefit of the Obligor despite the security interest of the Master Trustee therein, provided that "adequate protection" is given to the lienholder.

In a bankruptcy proceeding, the petitioner could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly in favor of junior creditors. Certain judicial decisions have cast doubt upon the right of a trustee, in the event of a health care facility's bankruptcy, to collect and retain for the benefit of bondholders portions of revenues consisting of Medicare and other governmental receivables.

On April 20, 2005, the Healthcare Bankruptcy Bill was enacted (the "Healthcare Bankruptcy Act"). The stated goal of the Healthcare Bankruptcy Act was to encourage healthcare companies to consider the patients' rights and interests when administering their bankruptcy cases related to (1) disposal of patient records, (2) transferring patients to new facilities, (3) appointment of a patient ombudsman, and (4) exclusions of a debtor from Medicare and other federal healthcare programs.

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

Additional Indebtedness

The Master Indenture permits the Obligor to incur Additional Indebtedness which may be equally and ratably secured with the Series 2017 Notes. Any such additional parity indebtedness would be entitled to share ratably with the holders of the Series 2017 Notes in any moneys realized from the exercise of remedies in the event of a default under the Master Indenture. The issuance of additional parity indebtedness could affect the Historical Debt Service Coverage Ratio for future calculations by increasing the Obligor's Debt Service Requirements and could impair the ability of the Obligor to

maintain its compliance with certain covenants described in **"THE MASTER INDENTURE"** in **APPENDIX C** hereto. 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 Obligor to make the necessary payments to repay the Series 2017 Notes may not be materially adversely affected upon the incurrence of Additional Indebtedness.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Obligor and any future Member of the Obligated Group under the Master Indenture and the Series 2017 Notes will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Obligor and any future Member of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including the Series 2017 Notes pledged under the related Bond Indenture as security for the related series of Bonds. The obligations described herein 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 (a) are requested with respect to payments on any Obligations issued by a member other than the member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or issued for the benefit of a Member of the Obligated Group which is not a Tax-Exempt Organization; (b) 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; (c) 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 (d) 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 (b) and (c) above with respect to the Series 2017 Notes cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any 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. There is no clear precedent in the law as to whether such payments from a Member of the Obligated Group in order to pay debt service on the Series 2017 Notes may be voided by a trustee in bankruptcy in the event of bankruptcy of a Member of the Obligated Group, or by third-party creditors in an action brought pursuant to Texas fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Texas fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or Texas fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force a Member of the Obligated Group to pay debt service on an Obligation for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that such member is analogous to a guarantor of the debt of the Obligated Group who directly benefited from the borrowing and that sufficient consideration for such member's guaranty was not received and that the incurrence of such Obligation has rendered or will render the such member insolvent.

The effectiveness of the security interest in the Obligated Group's Gross Revenues granted in the Master Indenture may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any Member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid, general assistance and other governmental programs; (iii) commingling of the proceeds of Gross Revenues with other moneys of a Member of the Obligated Group not subject to the security interest in Gross Revenues; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws which may affect the security interest in the Gross Revenues of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a Member of the Obligated Group; (viii) rights of third parties in Gross Revenues

converted to cash and not in the possession of the Master Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Texas Uniform Commercial Code as from time to time in effect.

Pursuant to the Master Indenture, each Member of the Obligated Group who pledges its Gross Revenues under the Master Indenture covenants and agrees that, if an Event of Default involving a failure to pay any installment of interest or principal on an Obligation should occur and be continuing, it will deposit daily the proceeds of its Gross Revenues. Such deposits will continue daily until such default is cured.

It is unclear whether the covenant to deposit the proceeds of Gross Revenues with the Master Trustee is enforceable. In light of the foregoing and of questions as to limitations on the effectiveness of the security interest granted in such Gross Revenues, as described above, no opinion will be expressed by counsel to the Obligor as to enforceability of such covenant with respect to the required deposits.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, health care operations, facilities and properties owned or operated by health care providers. Among the type of regulatory requirements faced by health care providers are, (a) air and water quality control requirements, (b) waste management requirements, including medical waste disposal, (c) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (d) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the clinics, (e) requirements for training employees in the proper handling and management of hazardous materials and wastes and (f) other requirements.

In its role as the owner and operator of properties or facilities, the Obligor may be subject to liability for investigating and remedying any hazardous substances that may have migrated off of its property. Typical health care operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may (a) result in damage to individuals, property or the environment, (b) interrupt operations and increase their cost, (c) result in legal liability, damages, injunctions or fines and (d) result in investigations, administrative proceedings, penalties or other governmental agency actions. There is no assurance that the Obligor 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 Obligor.

In connection with the issuance of the Bonds, a Phase I Environmental Site Assessment (the "Environmental Site Assessment") was completed on the Project Site by Farmer & Associates (the "Environmental Engineer") which issued its final report dated March 17, 2017. The Environmental Site Assessment did not reveal any obvious recognized environmental conditions in connection with the Project Site due to past or present activities occurring on the Project Site or on adjacent properties.

See **APPENDIX A - "REGULATORY AND ENVIRONMENTAL PERMITS AND APPROVALS - Environmental Study."**

Amendments to Documents

Certain amendments to the Master Indenture, the Bond Indenture, and the Loan Agreement may be made without notice to or the consent of the holders of the Bonds. Such amendments could affect the security for the Bonds. Certain amendments, however, are not permitted without the consent of the holder of each outstanding Bond affected thereby, including (1) extensions in the stated maturity of the principal, or any installment of interest on, any Bond, or (2) any reduction in the principal amount of or interest on any Bond. See **"THE MASTER INDENTURE - Amendments and Waivers," "THE BOND INDENTURE - Supplemental Bond Indenture," and "THE LOAN AGREEMENT - Amendments, Changes and Modifications"** in **APPENDIX C** hereto.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Obligor and any future member of the Obligated Group:

(1) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;

(2) Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;

(3) Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Obligor and any future member of the Obligated Group;

(4) A decline in the population, a change in the age composition of the population or a decline in the economic conditions of the Community's market area;

(5) The cost and availability of energy;

(6) Increased unemployment or other adverse economic conditions in the service areas of the Obligor and any future member of the Obligated Group which would increase the proportion of patients who are unable to pay fully for the cost of their care;

(7) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Obligor and any future member of the Obligated Group;

(8) Inflation or other adverse economic conditions;

(9) Reinstatement or establishment of mandatory governmental wage, rent or price controls;

(10) Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;

(11) Changes in the tax laws and regulations eliminating or adversely impairing the market value of the tax exemption afforded the Bonds;

(12) Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments or funded from assets of the Obligor or any future Members of the Obligated Group;

(13) Scientific and technological advances that could reduce demand for services offered by the Obligor and any future members of the Obligated Group; or

(14) Cost and availability of any insurance, such as malpractice, fire, automobile and general comprehensive liability, that organizations such as the Obligor and any future members of the Obligated Group generally carry.

FINANCIAL REPORTING AND CONTINUING DISCLOSURE

Financial Reporting

The Master Indenture requires that the Obligated Group Representative provide to each Required Information Recipient, the following:

(i) Monthly Reporting.

(A) A monthly statement of the Obligated Group as soon as practicable after the information is available but in no event more than 45 days after the completion of such month, including (A) prior to the issuance of a certificate of occupancy for any portion of the Facilities containing Entrance Fee Units, (1) a calculation of the marketing levels for the Facilities as of the end of such month,

including the number of Entrance Fee Units that have been sold or cancelled during that month and on an aggregate basis; (2) the amount, if any, by which Initial Entrance Fee discounts and incentives (other than reductions in Initial Entrance Fees to meet the Obligor's charity care requirements) exceed \$1,500,000 in the aggregate; (3) a summary statement as to the status of construction including the report of any construction monitor; (4) unaudited financial reports on the development costs of the Facilities incurred during that month and on an aggregate basis; and (5) statements of the balances for each fund and account required to be established under the Master Indenture or the Liquidity Support Agreement or under any Related Bond Indenture as of the end of such month (obtained from the applicable trustee), all in reasonable detail and certified by an officer of the Obligated Group Representative, and (B) after the issuance of a certificate of occupancy for any portion of the Facilities containing Entrance Fee Units, (1) a calculation of the marketing levels for the Facilities as of the end of such month, including the number of Entrance Fee Units that have been sold or cancelled during that month and on an aggregate basis; (2) the amount, if any, by which Initial Entrance Fee discounts and incentives (other than reductions in Initial Entrance Fees to meet the Obligor's charity care requirements) exceed \$1,500,000 in the aggregate; (3) occupancy levels of the Facilities as of the end of such month including the number of Entrance Fee Units that were Occupied and vacated during that month and on an aggregate basis; (4) a summary statement on the status of construction until the issuance of the last certificate of occupancy for the Facilities; (5) unaudited financial reports on the development costs incurred during that month and on an aggregate basis until the issuance of the last certificate of occupancy for the Facilities; (6) an unaudited statement of revenues and expenses and statement of cash flows of the Obligated Group for such month compared to the approved budget for that month and an unaudited balance sheet of the Obligated Group as of the end of such month; and (7) the principal amount of the Series 2017C Bonds and each subseries of Series 2017B Bonds then outstanding as of such date compared to the principal amount of the Series 2017C Bonds and each subseries of Series 2017B Bonds forecasted to be outstanding as of such date in the Financial Feasibility Study; and (8) statements of the balances for each fund and account required to be established under the Master Indenture or the Liquidity Support Agreement or under any Related Bond Indenture as of the end of such month (obtained from the applicable trustee), all in reasonable detail and certified by an officer of the Obligated Group Representative. The Obligated Group Representative does not need to deliver any monthly statement of the Obligated Group described in this subsection (i)(A) after the occurrence of Stable Occupancy.

(B) If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.00:1 and the Cash to Indebtedness Ratio or Days Cash on Hand, as applicable, of the Obligated Group is less than the

Liquidity Requirement on a Testing Date as provided herein, the Obligated Group will deliver (1) monthly financial statements of the Obligated Group, including a combined or combining statement of revenues and expenses and statement of cash flows of the Obligated Group during such period, and a combined or combining balance sheet, (2) a calculation of the Cash to Indebtedness Ratio or Days Cash on Hand, as applicable, and (3) a calculation of Historical Debt Service Coverage Ratio, each within 45 days of the end of each month until the Historical Debt Service Coverage Ratio of the Obligated Group is at least 1.00:1 and the Cash to Indebtedness Ratio or Days Cash on Hand, as applicable, is at least equal to the Liquidity Requirement.

(ii) Quarterly Reporting. Beginning with the first full fiscal quarter following the issuance of a certificate of occupancy for any portion of the Facilities containing Entrance Fee Units, the following items will be prepared in reasonable detail, certified (subject to year-end adjustment) by an officer of the Obligated Group Representative, and shall be accompanied by a comparison to the Annual Budget and a management's discussion and analysis of results, if applicable;

(A) quarterly unaudited financial statements of the Obligated Group as soon as practicable after they are available but in no event more than 45 days after the completion of such fiscal quarter, including a combined or combining statement of revenues and expenses and statement of cash flows of the Obligated Group during such period, and a combined or combining balance sheet as of the end of each such fiscal quarter;

(B) calculation of the Cash to Indebtedness Ratio and Days Cash on Hand, as applicable;

(C) calculation of the Historical Debt Service Coverage Ratio;

(D) calculation of the Cumulative Cash Operating Loss, if applicable;
and

(E) statistics for marketing and occupancy for all units by level of care and payor mix for any health center containing nursing beds for such fiscal quarter (similar, in the sole opinion of the Obligated Group Representative, to the statistics typically provided in offering documents or disclosure for debt financing of facilities similar to the Facilities of the Obligated Group's Members from time to time).

(iii) Annual Reporting. Within 150 days of the end of each Fiscal Year, commencing with the Fiscal Year in which the Initial Occupancy Date occurs, the following items:

(A) an annual audited financial report of the Obligated Group prepared by Accountants, including a combined and an unaudited combining balance sheet as of the end of such Fiscal Year, a combined and an unaudited combining statement of cash flows for such Fiscal Year, and a combined and an unaudited combining statement of revenues and expenses for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year;

(B) a separate written statement of the Accountants preparing the report in (A) above (or another firm of Accountants), containing calculations of the Obligated Group's Historical Debt Service Coverage Ratio and the Cash to Indebtedness Ratio or Days Cash on Hand, as applicable, at the end of such Fiscal Year and a statement that such Accountants have no knowledge of any Event of Default under the Master Indenture insofar as it relates to accounting matters or the Obligated Group's Historical Debt Service Coverage Ratio or the Liquidity Requirement, or if such Accountants shall have obtained knowledge of any such Event of Default, they shall disclose in such statement the Event of Default and the nature thereof;

(C) an Officer's Certificate of the Obligated Group Representative (1) stating that the Obligated Group is in compliance with all of the terms, provisions, and conditions of the Master Indenture, any Related Loan Agreement, and any Related Bond Indenture, or, if not, specifying all such defaults and the nature thereof, and (2) calculating and certifying the Cash to Indebtedness Ratio or Days Cash on Hand, as applicable, the Historical Debt Service Coverage Ratio, the Cumulative Cash Operating Loss, if applicable, and the marketing and occupancy statistics (similar to the statistics typically provided in offering documents or disclosure for debt financing such Facilities from time to time), as of the end of such Fiscal Year;

(D) a summary of the Obligated Group's annual operating and capital budget for the coming Fiscal Year, including a schedule that shows Entrance Fees and monthly service fees for each type of Independent Living Unit;

(E) a management's discussion and analysis of results for such Fiscal Year;

(F) a comparison of the audited financial reports with the Annual Budget for the preceding Fiscal Year; and

(G) a report of the number of stars awarded to the Obligated Group pursuant to the Centers of Medicare and Medicaid Services Five-Star Quality Rating System.

(iv) Periodic Reporting. Upon occurrence of the following events the items described below:

(A) copies of any board approved revisions to the summary of the Annual Budget;

(B) notification that the Obligor has received correspondence from the Internal Revenue Service concerning the commencement or conclusion of an audit relating to either the status of the Obligor as an organization described in section 501(c)(3) of the Code or to the tax-exempt status of any Related Bonds, promptly upon receipt of such correspondence;

(C) to the extent that any Obligated Group Member incurs permitted Additional Indebtedness of a form for which there is not a CUSIP number (the "non-Public Debt"), the Obligated Group Representative will provide a debt service schedule showing the principal and interest associated with each series of Related Bonds then outstanding as well as the non-Public Debt and the aggregate debt service of the Obligated Group; provided, however, to the extent that the non-Public Debt is used to construct additional units at the Facilities, the Obligated Group Representative will provide monthly reports (1) regarding whether the construction of additional units is within the construction budget and if not, a brief explanation and a copy of any revised budget, and on schedule with the construction timetable and if not, a brief explanation and a copy of any revised timetable, and (2) reconciling the amount of construction contingency remaining and the uses of contingency funds to date;

(D) actuarial reports received by an Obligated Group Member;

(E) the notifications regarding changes in pricing structure provided by the Obligated Group Representative to the Master Trustee pursuant to the Master Indenture; and

(F) such additional information as the Master Trustee or any Related Bond Trustee may reasonably request concerning any Member in order to enable the Master Trustee or such Related Bond Trustee to determine whether the covenants, terms and provisions of the Master Indenture have been complied with by the Members.

For additional provisions relating to financial and other reporting by the Obligated Group, see **"THE MASTER INDENTURE - Financial Statements and Related Matters"** in **APPENDIX C** hereto.

Continuing Disclosure

General. Inasmuch as the Bonds are limited obligations of the Issuer, the Issuer has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Obligor has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described below, and the Issuer shall have no liability to the holders or any other person with respect to such disclosures. The Obligor has covenanted for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption), pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed and delivered by the Obligor, to provide or cause to be provided (i) each year, certain financial information and operating data relating to the Obligated Group (the "Annual Report") by not later than the date 150 days after the last day of the fiscal year of the Obligated Group, commencing with the Annual Report for the fiscal year ended December 31, 2017; provided, however, that if the audited financial statements of the Obligated Group are not available by such date, unaudited financial statements will be included in the Annual Report and audited financial statements will be provided when and if available; and (ii) timely notices of the occurrence of certain enumerated events, if material. Currently the fiscal year of the Obligated Group commences on January 1. "Beneficial Owners" means the beneficial owner of any Bond held in a book-entry only system.

The Annual Report will be filed by or on behalf of the Obligor and made available to holders of the Bonds through EMMA (<http://emma.msrb.org>), the information repository of the Municipal Securities Rulemaking Board, to comply with Rule 15c2-12 (as amended from time to time the "Rule") of the Securities and Exchange Commission (the "SEC"). These covenants have been made in order to assist the Underwriter and registered brokers, dealers and municipal securities dealers in complying with the requirements of the Rule.

Notice of Certain Events, If Material. The Obligor covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner and not more than ten (10) Business Days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of the owners of the Bonds, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership, or similar event of the Obligor;

(13) Consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of all or substantially all of the assets of the Obligor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Obligor in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligor, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

Annual Report. The Annual Report will contain or incorporate by reference at least the following items:

(a) The audited financial statements of the Obligated Group for the fiscal year ending immediately preceding the due date of the Annual Report; provided, however, that if such audited financial statements are not available by the deadline for filing the Annual

Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report. The financial statements shall be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles.

(b) Annual Financial Information with respect to the Obligor and the Obligated Group, including the information in **APPENDIX A** of the type included under the tables titled:

(i) "THE OBLIGOR AND THE COMMUNITY - ASSISTED LIVING - DIRECT ADMIT MONTHLY SERVICE FEES;"

(ii) "THE OBLIGOR AND THE COMMUNITY - SKILLED NURSING - DIRECT ADMIT DAILY RATES;" and

(iii) "RESIDENCY AGREEMENT - RESIDENT FEE STRUCTURE - INDEPENDENT LIVING."

The Obligor may modify from time to time the specific types of information provided to the extent necessary to conform to changes in legal requirements, provided that any such modification will be done in a manner consistent with the Rule and will not materially impair the interests of the Bondowners.

Any or all of the items listed above may be included by specific reference to other documents which previously have been provided to each of the repositories described above or filed with the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Obligor shall clearly identify each such other document as included by reference.

Failure to Comply. In the event of a failure of the Obligor to comply with any provision of the Disclosure Certificate, any owner of Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Obligor to comply with the obligations under the Disclosure Certificate. A failure to comply with the Disclosure Certificate shall not be deemed an Event of Default under the Bond Indenture. The sole remedy under the Disclosure Certificate in the event of any failure of the Obligor to comply with the Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damage thereunder under any circumstances.

Amendment of the Disclosure Certificate. The provisions of the Disclosure Certificate, including but not limited to the provisions relating to the accounting principles pursuant to which the financial statements are prepared, may be amended as deemed appropriate by an authorized officer of the Obligor but any such amendment must be adopted procedurally and substantively in a manner consistent with the Rule,

including any interpretation thereof made from time to time by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Obligated Group or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondowners, as determined by parties unaffiliated with the Obligor (such as independent legal counsel). The foregoing interpretations may be changed in the future.

Compliance with Prior Undertakings. This will be the first Disclosure Certificate to which the Obligor will be a party, and consequently, there have been no previous instances of the Obligor's failure to comply with the Rule.

LITIGATION

Issuer

There is not now pending or, to the Issuer's knowledge, threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery by the Issuer of the Bond Indenture, or the Loan Agreement or questioning or affecting the validity of the Bonds or the security therefor or the proceedings or Issuer under which they are or are to be issued, respectively.

Obligor

There is no litigation pending or, to the Obligor's knowledge, threatened against the Obligor, wherein an unfavorable decision would (i) adversely affect the ability of the Obligor to construct the Project or to operate its facilities or to carry out its obligations under the Master Indenture or the Loan Agreement, or (ii) would have a material adverse impact on the financial position or results of operations of the Obligor.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Bond Counsel. McCall, Parkhurst & Horton L.L.P. has acted in the capacity as Bond Counsel for the purpose of rendering an opinion with respect to the authorization, issuance, delivery, legality and validity of the Bonds and for the purpose of rendering an opinion on the exclusion of the interest on the Series 2017A Bonds and the Series 2017B Bonds from gross income for federal income tax purposes and certain other tax matters. Such firm has not been requested to examine, and has not investigated or verified, any

statements, records, material or matters relating to the financial condition or capabilities of the Obligor or its affiliates, and has not assumed responsibility for the preparation of this Official Statement, except that, in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement under the captions "**SUMMARY STATEMENT - Security and Sources of Payment for the Bonds,**" "**SUMMARY STATEMENT - Certain Covenants of the Obligated Group,**" "**THE ISSUER,**" "**THE BONDS,**" "**SECURITY FOR THE BONDS,**" "**LIQUIDITY SUPPORT AGREEMENT,**" "**FINANCIAL REPORTING AND CONTINUING DISCLOSURE - Financial Reporting**" and "**TAX MATTERS**" and **APPENDIX C** attached hereto.

Certain matters will be passed upon for the Issuer by its counsel, Brown Pruitt Wambsganss Ferrill & Dean, P.C., Fort Worth, Texas, for the Obligor by its counsel, Bracewell LLP, Dallas, Texas; and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida.

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

TAX MATTERS

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Code, the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (the "IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a

partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS (INCLUDING HOLDERS OF ORIGINAL ISSUE DISCOUNT BONDS AND PREMIUM BONDS) SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF SUCH BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE DISCUSSION HEREIN, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE BONDS, IS NOT INTENDED OR WRITTEN TO BE USED BY ANY TAXPAYER TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS (INCLUDING HOLDERS OF ORIGINAL ISSUE DISCOUNT BONDS AND PREMIUM BONDS) UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding. Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Tax-Exempt Series 2017A and Series 2017B Bonds

Opinion. On the date of initial delivery of the Series 2017A Bonds and the Series 2017B Bonds (the "Tax-Exempt Bonds"), McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer ("Bond Counsel"), will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Tax-Exempt Bonds for federal income tax purposes (i) will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Code as a "substantial user" of the Project or a "related person" to such substantial user, and (ii) the Tax-Exempt Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Tax-Exempt Bonds. See "**FORM OF BOND COUNSEL OPINION**" in **APPENDIX D** hereto.

In rendering its opinion, Bond Counsel will rely upon (a) the opinion of Bracewell LLP, special counsel to the Obligor, relating to the qualification of the Obligor as an organization described in Section 501(c)(3) of the Code, (b) information furnished by the Obligor, and particularly written representations of officers and agents of the Obligor with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Tax-Exempt Bonds, and the acquisition and use of the Project, and (c) covenants of the Issuer and the Obligor with respect to arbitrage,

the application of the proceeds to be received from the issuance and sale of the Tax-Exempt Bonds and certain other matters. Failure of the Issuer or the Obligor to comply with these representations or covenants could cause the interest on the Tax-Exempt Bonds to become includable in gross income retroactively to the date of issuance of the Tax-Exempt Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order for interest on the Tax-Exempt Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Tax-Exempt Bonds to be included in gross income retroactively to the date of issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer and the Obligor with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Tax-Exempt Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Tax-Exempt Bonds.

A ruling was not sought from the IRS by the either The Obligor or the Issuer with respect to the Tax-Exempt Bonds or the property financed or refinanced with proceeds of the Tax-Exempt Bonds. No assurances can be given as to whether or not the IRS will commence an audit of the Tax-Exempt Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure.

Federal Income Tax Accounting Treatment of Original Issue Discount Bonds. The initial public offering price to be paid for one or more maturities of the Tax-Exempt Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Tax-Exempt Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Tax-Exempt Bonds, less the amount of all periodic interest payments. Periodic interest payments are payments that

are made during equal accrual periods (or during any unequal period if it is the initial or final period and that are made during accrual periods that do not exceed one year.)

Under existing law, any U.S. Holder who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Federal Income Tax Accounting Treatment of Original Issue Premium Bonds. Any maturities of the Tax-Exempt Bonds that may be sold at an initial offering price which exceeds the stated redemption price payable at maturity (the "Premium Bonds") will be considered for federal income tax purposes to have original issue premium equal to such excess. The federal tax basis of the initial purchaser of such

Premium Bonds is reduced by the amount of the excess that is amortized during the period such initial owner holds such bond in determining gain or loss for federal income tax purposes. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of such bond by the initial owner. The initial purchaser of such Premium Bonds must amortize any premium over the term of the Premium Bond using constant yield principles, based on the initial offering price of such Premium Bond.

Collateral Federal Income Tax Consequences. The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Tax-Exempt Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S Corporations with accumulated earnings and profits and excess passive investment income, foreign Corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE TAX-EXEMPT BONDS.

Interest on the Tax-Exempt Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under Section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Tax-Exempt Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Tax-Exempt Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a

purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Taxable Series 2017C Bonds

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Taxable Series 2017C Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Series 2017C Bonds or original issue discount, if any, accruing on the Taxable Series 2017C Bonds, will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Taxable Series 2017C Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Series 2017C Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Series 2017C Bonds. Generally, a U.S. Holder's tax basis in the Taxable Series 2017C Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Series 2017C Bonds has been held for more than one year.

Defeasance of the Taxable Series 2017C Bonds. Defeasance of any Taxable Series 2017C Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Series 2017C Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Series 2017C Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such

exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Series 2017C Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

FINANCIAL FEASIBILITY STUDY

Management's financial forecast for the seven years ending December 31, 2023, included as part of the Financial Feasibility Study included in **APPENDIX B** hereto, has been examined by Dixon Hughes Goodman LLP, independent certified public accountants, as stated in their report dated April 13, 2017 appearing in **APPENDIX B**. As stated in the Financial Feasibility Study, there will usually be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The Financial Feasibility Study should be read in its entirety, including Management's notes and assumptions set forth therein.

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. is employed as financial advisor (the "Financial Advisor") to the Obligor in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Obligor and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

NO RATING

THE BONDS ARE NOT RATED; THE OBLIGOR HAS NOT APPLIED TO ANY RATING SERVICE FOR A RATING OF THE BONDS AND NO APPLICATION FOR CREDIT ENHANCEMENT ON THE BONDS HAS BEEN MADE.

UNDERWRITING

The Bonds are being purchased by B.C. Ziegler and Company as Underwriter (the "Underwriter") for a purchase price of \$_____ (representing the par amount of the Bonds plus net original issue premium of \$_____ and less an underwriting discount of \$_____) pursuant to a Bond Purchase Agreement, entered into by and between the Issuer and the Underwriter as approved by the Obligor (the "Purchase Agreement"). The Obligor has agreed to indemnify the Underwriter and the Issuer against certain liabilities. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Purchase Agreement. The Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any Bonds are purchased.

MISCELLANEOUS

The references herein to the Act, the Health Facilities Act, the Bond Indenture, the Loan Agreement, the Liquidity Support Agreement, the Master Indenture, and other laws, regulations and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials, copies of which will be furnished by the Bond Trustees upon request for further information.

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

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

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

The information assembled in this Official Statement has been supplied by the Obligor and other sources believed to be reliable, and, except for the statements under the heading "**THE ISSUER**" herein and information relating to the Issuer under the heading "**LITIGATION - Issuer,**" the Issuer makes no representations with respect to nor warrants the accuracy of such information. The Obligor has agreed to indemnify the Issuer and the Underwriter against certain liabilities relating to this Official Statement.

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APPENDIX A

CERTAIN INFORMATION RELATING TO BUCKNER SENIOR LIVING - VENTANA BY BUCKNER

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INTRODUCTION, HISTORY AND BACKGROUND

Buckner Senior Living, Inc. (the "*Obligor*"), a Texas nonprofit corporation was established in December 2012. The Internal Revenue Service (the "*IRS*") issued a letter dated November 14, 2014 stating its determination that the Obligor is a charitable organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code. The Obligor was formed for the purpose of construction, ownership and operation of an entrance fee based senior living community with independent living apartments, assisted living units, memory support units, skilled nursing beds, common spaces and administration areas known as Ventana by Buckner ("*Ventana*" or the "*Community*") located in Dallas, Texas.

Buckner Retirement Services, Inc. ("*BRS*") is a Texas nonprofit corporation founded in 1994 to provide care and housing for senior adults in a moral and Christian environment and services to senior adults in their homes. BRS' sole member is Buckner International ("*BI*"), a Texas nonprofit corporation incorporated in 1906. BRS currently owns four retirement communities in the state of Texas: Buckner Villas (Austin); Buckner Westminster Place (Longview); Calder Woods (Beaumont); and Parkway Place (Houston), which are part of an obligated group (the "*Buckner Obligated Group*"). BRS is also the sole member of Baptist Memorials Ministries ("*BMM*"), which owns Baptist Retirement Community, a non-profit retirement community in San Angelo, Texas. BRS will provide management services for the Community. Management of the Obligor and BRS are collectively referred to as "*Management*." See "**BUCKNER RETIREMENT SERVICES – BRS Management Agreement**" and "**BRS Development Agreement**" herein. The Obligor and BRS are separate corporate entities. The Buckner Obligated Group, BI, BRS and BMM are not obligated to pay debt service on the Series 2017 Bonds.

The Obligor engaged Greenbrier Development, LLC (the "*Development Consultant*") to prepare a development plan in April 2012 for the Community. In December 2013, the Obligor retained the Development Consultant to act as development consultant for the Community. See "**DEVELOPMENT OF THE COMMUNITY**" herein. In addition to the Development Consultant, the project team consists of D2 Architecture (the "*Architect*"), The Whiting-Turner Contracting Company (the "*Construction Manager*"), The Belaire Group, LLC (the "*Owner's Representative*") and zumBrunner, Inc. (the "*Construction Consultant*"). See "**DEVELOPMENT OF THE COMMUNITY**" and "**OTHER PROFESSIONAL SERVICES**" herein.

All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Official Statement to which this **APPENDIX A** is attached unless the context shall indicate otherwise.

AFFILIATED ENTITIES

BRS is a member of a group of affiliated corporations, the parent of which is BI, a Texas nonprofit organization that offers an array of charitable services to children, families and senior adults. Prior to the establishment of BRS in 1994, housing and services to the elderly were delivered for over 40 years through the retirement services division of BI. In 1994, BI formed or activated four affiliated Texas nonprofit corporations, including BRS, to legally separate the operations of several divisions of BI and to permit better accounting for the different services offered by those divisions. In addition to BRS, the affiliates are: Buckner Foundation, Inc. (the "*Foundation*"), Buckner Children and Family Services, Inc. ("*Family Services*"), and Buckner Adoption and Maternity Services, Inc. ("*Maternity Services*"). BRS is the parent and sole member of two corporations: (1) the Obligor and (2) BMM. None of BI, BRS, the Foundation, or Maternity Services are obligated on the Series 2017 Notes or for the payment of debt service of the Series 2017 Bonds.

Buckner International

Established in 1879 by Robert Cooke Buckner, a Tennessee-born Baptist pastor, under the name Buckner Orphan's Home, BI has grown into one of the largest social Christian ministries of its kind in the nation. Originally situated on a 44-acre site located approximately six miles east of downtown Dallas, Texas, the Buckner Orphan's Home site is the current site of the Buckner Children's Home campus. The name of the organization was changed in 1961 to Buckner Baptist Benevolences and then changed to Buckner International in 2006 to reflect the wide range of services offered. Today, BI and its affiliates provide for the basic physical and emotional needs of children and families both domestically and internationally and also provide a continuum of care for the elderly. BI is a

charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code, and is not a private foundation within the meaning of Section 509(a) of the Code.

BI currently has an annual operating budget of approximately \$108 million and the overall consolidated net assets as of December 31, 2016 were approximately \$359 million. Financial support for the services of BI comes from service fees, investment income and the donations of churches, individuals, businesses, foundations and civic organizations.

BI is governed by a Board of Trustees (the "*Parent Board*"), which may consist of up to twenty-seven trustees pursuant to the BI's bylaws. One-fourth of the Parent Board is elected by the Baptist General Convention of Texas with the remaining three-fourths appointed by the Parent Board. The Parent Board governs the affairs of BI and has the full authority to determine the scope of its services and operating programs.

BI is not a member of the Obligated Group and has no obligation to pay the principal of, or premium, if any, and interest on the Series 2017 Bonds.

Buckner Foundation, Inc.

The Foundation was formed in 1986 and is organized to support and benefit the activities and purposes of BI and its affiliates, including making cash distributions to BI and its affiliates as required. The Foundation is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code, and is not a private foundation within the meaning of Section 509(a) of the Code.

The Foundation is governed by a Board of Trustees (the "*Foundation Board*") which may consist of up to twenty-seven members pursuant to the Bylaws of the Foundation. Members of the Foundation Board are appointed by the boards of BRS, Family Services and Maternity Services, each year in accordance with the procedures set forth in the Foundation's bylaws.

As of December 31, 2016, the Foundation had investment assets of approximately \$279 million consisting of the following:

| | |
|--|----------------------|
| Investments held by investment managers | \$160,592,852 |
| Investments administered by the High Ground Advisors | 101,310,129 |
| Investments administered by various bank trust departments | 17,057,593 |
| Total investments | <u>\$278,960,574</u> |

The following table shows the net assets of the Foundation for the Fiscal Years ending December 31, 2014 through December 31, 2016:

| | <u>December 31, 2014</u> (Audited) | <u>December 31, 2015</u> (Audited) | <u>December 31, 2016</u> (Unaudited) |
|------------------------|--|--|--|
| Unrestricted | \$ 258,534,459 | \$223,370,142 | \$220,769,423 |
| Temporarily Restricted | 2,968,720 | 2,959,843 | 3,056,207 |
| Permanently Restricted | 57,977,879 | 58,031,193 | 57,305,642 |
| Total Net Assets | <u>\$ 319,481,058</u> | <u>\$284,361,178</u> | <u>\$281,131,272</u> |

Concurrently with the delivery of the Series 2017 Bonds, the Foundation will enter into a Liquidity Support Agreement (the "*Liquidity Support Agreement*") for the benefit of the Obligor under which the Foundation has agreed to make contributions, advances and loans in an aggregate amount not to exceed \$10,000,000 to the Obligor from any Foundation funds lawfully available for such purpose to the extent necessary to provide for the due and punctual payment of operating expenses, various costs to complete the Community, refunds of Entrance Fees, and

amounts due on any Indebtedness of the Obligated Group (excluding Subordinated Indebtedness), including without limitation, the Series 2017 Obligations. See "**LIQUIDITY SUPPORT AGREEMENT**" in the Official Statement.

The Foundation's only commitment is to support the Obligor through the Liquidity Support Agreement. The Foundation is not an Obligated Group Member and has no obligation to pay the principal of, or premium, if any, and interest on the Series 2017 Bonds.

Buckner Children and Family Services, Inc.

Family Services, a Texas nonprofit corporation formed in 1994, provides long-term and short-term care for abused and neglected children in a nurturing environment by placing children in foster care with families and in group foster homes. Family Services provides each child with a full clinical assessment for physical, psychological, intellectual and behavioral health. In addition, Family Services offers assistance to single parent families, designed to strengthen families and reduce barriers to self-sufficiency, through the Buckner Family Pathways transitional program. In Buckner Family Pathways, participants are enrolled in academic or vocational programs and receive housing and child care assistance along with supportive counseling. Family Services also operates Buckner Family Hope Centers in low-income communities, offering services to strengthen families where they live. Family Services is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code.

Family Services is not a member of the Obligated Group and has no obligation to pay the principal of, or premium, if any, and interest on the Series 2017 Bonds.

Buckner Adoption and Maternity Services, Inc.

Maternity Services, a Texas nonprofit corporation formed in 1994, provides domestic and international adoption services to place children whose parents have died or whose parents' rights have been terminated due to abuse or neglect with permanent families. Maternity Services also offers personalized maternity counseling, family and support system counseling, post-pregnancy support, life planning support and encouragement to women experiencing an unexpected pregnancy. Maternity Services is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code.

Maternity Services is not a member of the Obligated Group and has no obligation to pay the principal of, or premium, if any, and interest on the Series 2017 Bonds.

Baptist Memorials Ministries

In January 2010, BRS became affiliated with Baptist Memorials Ministries ("*BMM*"), a Texas nonprofit corporation, pursuant to an Affiliation Agreement effective January 1, 2010 (the "*Affiliation Agreement*"). Baptist Memorials was founded in 1951 as a small tuberculosis hospital and became part of the Baptist General Convention of Texas in 1957. Over time, the services offered by BMM expanded to include independent living, memory support, assisted living and skilled nursing services. BMM is a charitable organization described in Section 501(c)(3) of the Code, and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code.

BMM currently owns and operates Baptist Retirement Community, a continuing care retirement community located in San Angelo, Texas that provides independent living, memory support and assisted living services, and skilled nursing to seniors. Pursuant to the Affiliation Agreement, BRS became the sole member of BMM with the authority to elect the Board of Directors of BMM (the "*BMM Board*"). The BMM Board has the sole authority to make all management and personnel decisions of BMM, subject to applicable provisions of BMM's bylaws. Although the President & CEO of BMM is an employee of BI, such person is subject to the authority of the BMM Board.

BMM is not a member of the Obligated Group and has no obligation to pay the principal of, or premium, if any, and interest on the Series 2017 Bonds.

BUCKNER RETIREMENT SERVICES

Board of Directors

The property and affairs of BRS are managed and controlled its Board of Directors, which is made up of the same persons as the Parent Board. The Parent Board currently consists of twenty-three directors (the "*Directors*") who are the same as the current members of the Parent Board in accordance with the Bylaws of BRS. Each member of the Parent Board serves for a term of three years and until a successor has been elected and qualified. Members of the Parent Board may serve for up to three consecutive terms. A former member of the Parent Board who has served three consecutive terms is eligible for reappointment to the Parent Board after an absence from serving on the Parent Board for at least one year. The members of the Parent Board serve without compensation for their services as Directors.

The current Parent Board is comprised of the following Directors:

| <u>Name and Office</u> | <u>Beginning Service Date on the Parent Board</u> | <u>Term Expires</u> | <u>Occupation</u> |
|---------------------------|---|---------------------|-------------------------------------|
| Ed Francis, Board Chair | 2013 | 2021 | Mortgage Banker |
| Julio Guarneri | 2015 | 2023 | Pastor |
| David Hennessee | 2015 | 2023 | Retired: VP, CPA |
| Lynette Guy Ranton | 2015 | 2023 | Retired: Attorney |
| Priscilla Reimer | 2015 | 2023 | Attorney |
| Riefford Flood | 2017 | 2019 | Retired: Physician |
| George S. Vorpahl | 2009 | 2017 | Retired: Attorney |
| Zack Parrish | 2017 | 2023 | Commercial Banker |
| Margareth Fanini Aviles | 2016 | 2023 | Commercial Banker |
| Carol C. Brian | 2010 | 2018 | Executive Assistant |
| Rebeca Brokenbek | 2016 | 2024 | Consultant |
| Cassandra Harris | 2016 | 2024 | Health Education Specialist |
| Nancy Neal | 2013 | 2021 | Retired: Nurse |
| Jeffrey Taylor | 2017 | 2024 | CPA |
| Susan W. Williams | 2017 | 2024 | Nurse |
| Lee E. Bush | 2014 | 2022 | Business Owner |
| Sue Courts | 2014 | 2022 | Business Owner |
| Rodney Henry, Chair Elect | 2011 | 2019 | Physician |
| Steve M. King | 2017 | 2025 | Judge |
| Watson Moore | 2011 | 2019 | Retired, CPA |
| Barry Pryor | 2011 | 2019 | Retired: Auto Dealer President |
| Susan R. Wilhoit | 2014 | 2022 | BP Marketing and Client Services |
| James H. Westbrooks | 2017 | 2025 | Financial Advisor |

Corporate Officers and Key Management

The day to day operations of BRS are administered by a staff of executive officers. The following summaries identify each key member of the BRS' management team that will provide oversight of the Obligor, and provide a brief description of his or her relevant background, experience and affiliations:

Dr. Albert L. Reyes, President. Dr. Reyes is the President and CEO of BI and the Foundation, and serves as President of BRS, Maternity Services, Family Services, and the Obligor. Dr. Reyes is the sixth President and CEO of BI and has worked for BI since 2007. Prior to his service at BI, Dr. Reyes was president of Baptist

University of the Americas in San Antonio, Texas. Dr. Reyes also has served as pastor of three churches and as a manager for Sprint's National Customer Service Center. He has been involved in numerous roles within the Baptist General Convention of Texas, serving as its President in 2005. Dr. Reyes received a Bachelor of Business Administration degree from Angelo State University in 1981 and Master of Divinity and Doctor of Ministry degrees from Southwestern Baptist Theological Seminary in 1989 and 1995, respectively. He also earned a Doctor of Philosophy degree from Andrews University in 2009. He is a member of the board of trustees of the Joint Council for International Children's Services, the National Hispanic Christian Leadership Conference, and the T.B. Maston Foundation, a charitable organization providing support for the study and application of Christian ethics.

Charlie Wilson, Senior Vice President. Mr. Wilson serves as Senior Vice President of BRS and also serves as a Vice President of the Obligor. Mr. Wilson has served as Senior Vice President of BRS since March 2010, Vice President and Director of Operations from 2004 to 2010 and Director of Quality Improvement and Regulatory Compliance from 2000 to 2004. From 1999 to 2000, he worked as an administrator for C.C. Young, a continuing care retirement community in Dallas, Texas. From 1996 to 1999 he served as Healthcare Administrator for Trinity Terrace, a continuing care retirement community in Fort Worth, Texas. Mr. Wilson has served as the President of the Society for the Advancement of Gerontological Environments Federation and served as the President of its Texas chapter from 2006 through 2008. He also served on the Visioning Board for the International Council on Active Aging. In addition, he has served on numerous committees for LeadingAge, including the Culture Change, Continuous Quality Improvement, Public Policy, and Managed Care committees. He has also served on the Professional Advisory committee for the Visiting Nurses Association and the Texas Wellspring Steering Committee. Mr. Wilson received his Bachelor of Business Administration degree in 1992 and his M.B.A. in 2007, both from Southwestern Adventist University.

Tony Lintelman, Senior Vice President and Chief Financial Officer. Mr. Lintelman serves as Senior Vice President and Chief Financial Officer of BRS and also serves as Senior Vice President and Chief Financial Officer of BI, Maternity Services, Family Services, the Obligor, the Foundation, and other affiliates of BI and as Chief Financial Officer of BMM. Mr. Lintelman is a certified public accountant and is responsible for overseeing BI's and its affiliates' financial systems and administrative support services. Mr. Lintelman joined BI in 1993 and served as Controller, Vice President of Financial Services, and Vice President/Chief Financial Officer prior to being named to his current position. Prior to joining BI, he worked in the commercial real estate industry and has a financial audit background. Mr. Lintelman is a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. He received a Bachelor of Business Administration degree in accounting from Baylor University in 1978.

Stephen N. Wakefield, Vice President, Secretary and General Counsel. Mr. Wakefield serves as Vice President, Secretary and General Counsel of BRS and also serves as Vice President, Secretary and General Counsel of BI, Maternity Services, Family Services, the Obligor, the Foundation and other affiliates of BI and as Secretary of BMM. Mr. Wakefield has served as the Vice President and General Counsel for BI and its affiliates since January 2013. Prior to joining BI, Mr. Wakefield was a partner for 30 years at the law firm of Burford & Ryburn LLP in Dallas, Texas. He also served as Division Counsel for Gifford-Hill, Inc. and as Staff Counsel and Acting General Counsel for Lone Star Steel Company, Inc. He has provided services to various nonprofit organizations, including Baylor Health Care System, the Baptist General Convention of Texas, Texas Health Resources, and Methodist Healthcare System. Mr. Wakefield serves on the boards of several charitable organizations including the Volunteers of America National Services Board and as a member of the Advisory Board of the Dallas Housing Authority. He is a former board member of the Northeast Dallas Chamber of Commerce. Mr. Wakefield received a Bachelor of Arts degree in political science from Tulsa University in 1972 and a Juris Doctor degree from Southern Methodist University in 1975. He is a member of the State Bar of Texas, the Dallas Bar Association and the Health Law and Employment Law Sections of the State Bar of Texas, and is admitted to practice law in the Eastern, Western, Northern and Southern Districts of the Federal District Courts in Texas and the U.S. Fifth Circuit of Court Appeals.

Brian Robbins, Vice President. Brian Robbins joined BRS as Vice President of Operations on April 17, 2017. Brian Robbins is past Director of Operations Management with Life Care Services™ from January 2014 to April 2017. Mr. Robbins previously served as the executive director of Westminster in Austin, Texas from December 2007 to December 2013. He originally began with Life Care Services™ as the Administrator/Executive Director of Garden Valley Retirement Village in Garden City, Kansas. Mr. Robbins has nearly 20 years of leadership and management experience. He is a Navy veteran of both Desert Shield/Desert Storm and Noble

Eagle/Enduring Freedom, and he has earned three Navy and Marine Corps achievement medals, plus other awards. He was also selected as Naval Reserve Sailor of the Year by the Commander of the Naval Reserve Center at Fort Carson. Mr. Robbins served on the Board of Directors for LeadingAge Texas. He was the chair of the LeadingAge Texas Public Policy Committee, and served as a Network Representative for LeadingAge Texas and on the National LeadingAge Policy Congress. He was appointed by the State of Texas to the Aging Texas Well Advisory Committee, where he served for two years. Mr. Robbins also served on the Caritas of Austin Community Advisory Board. Mr. Robbins is a member of the University of Texas School of Nursing Advisory Council. Brian earned a bachelors degree and a Certificate in Leadership Studies from Fort Hays State University in Kansas and a Certificate in Long-Term Adult Care Administration from Cowley College in Kansas. Mr. Robbins received a Certificate in Human Dimensions of Organizations from the University of Texas-Austin.

Dida Horton, *Senior Director of Marketing and Sales*. Ms. Horton has served as Senior Director of Marketing and Sales for BRS since May 2002. Prior to joining BRS, Ms. Horton was Director of Marketing and Sales for Trinity Terrace, a continuing care retirement community in Fort Worth, Texas, from 1989 to 2002. From 1985 to 1989, Ms. Horton worked in Public Relations at Southwestern Baptist Theological Seminary. She received her certification as a Marketing Professional from Life Services Network, Inc., and served as chair for the LeadingAge Texas Marketing and Public Relations Peer Group Committee for six years. Ms. Horton received a Bachelor of Arts degree in speech and drama from Oklahoma Baptist University in 1976.

Jordan Lovelady, *Manager of Financial Analysis and Planning*. Mr. Lovelady has served as Manager of Financial Analysis and Planning for BRS since May 2013. Prior to joining BRS, Mr. Lovelady was a Financial Analyst at Raytheon Company in Dallas, Texas, from 2011 to 2013. From 2007 to 2009, Mr. Lovelady worked in Corporate Finance as a college intern at Raytheon Company as well. He received his Bachelor of Business Administration degree in Business Management from Baylor University in 2010.

[Remainder of page intentionally left blank]

BRS Management Experience

BRS currently owns four retirement communities and provides management services to five retirement communities throughout the state of Texas that span the continuum of aging services, all of which are affiliates of BRS, and all of which offer predominantly rental contracts. Each community is designed to meet the residential, recreational, physical, psychological, social, cultural and health care needs of the elderly. BRS will provide management services for the Community. Currently, BRS is providing management services to the senior living communities listed below.

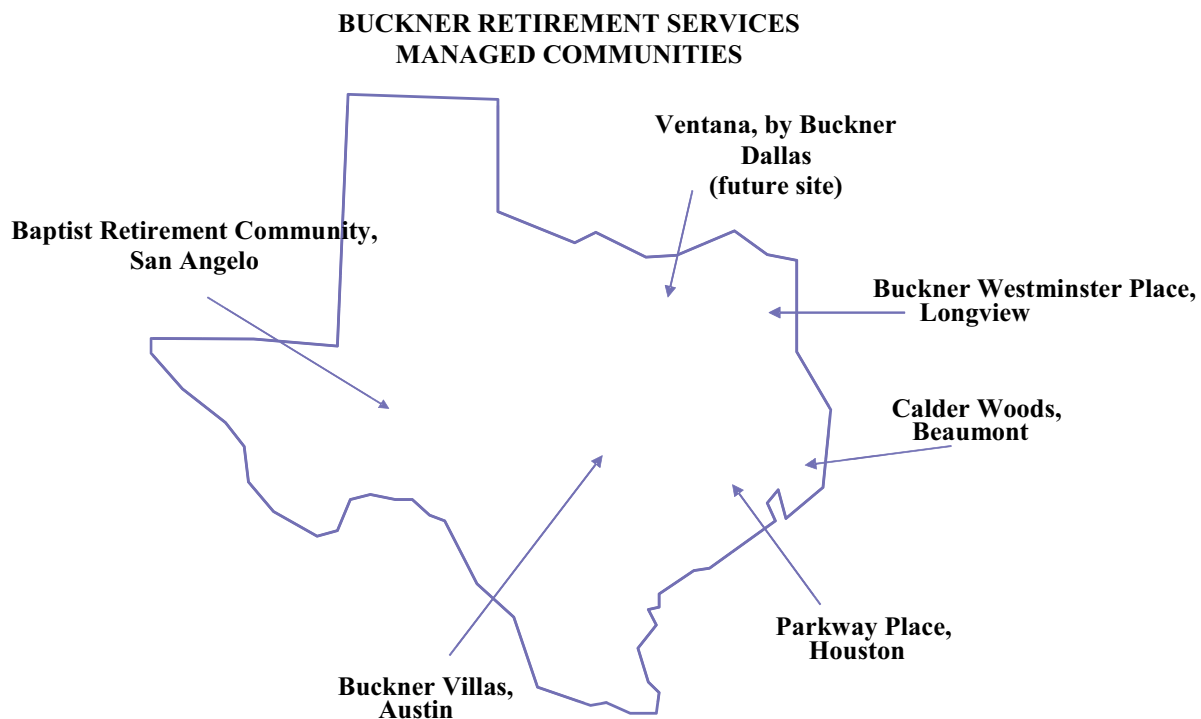
| Buckner Retirement Services Existing Communities | | | | | | |
|---|-----------------------|--------------------|-------------------|--------------------|--------------|---|
| | Independent Living | Assisted Living | Memory Support | Skilled Nursing | Total | December 31, 2016 Total Occupancy % |
| Buckner Villas ⁽¹⁾ | | | | | | |
| Austin, Texas Opened in 1961 | 100 | 20 | 40 | 76 | 236 | 88% |
| Baptist Retirement Community | | | | | | |
| San Angelo, Texas Opened in 1951 | 275 | n/a | 30 | 140 | 445 | 88% |
| Buckner Westminster Place ⁽²⁾ | | | | | | |
| Longview, Texas Opened in 1996 | 88 | 30 | 25 | 20 | 163 | 96% |
| Calder Woods ⁽³⁾ | | | | | | |
| Beaumont, Texas Opened in 2000 | 101 | 30 | 16 | 30 | 177 | 90% |
| Parkway Place | | | | | | |
| Houston, Texas Opened in 1998 | 159 | 58 | 24 | 60 | 301 | 83% |
| Total | 723 | 138 | 135 | 326 | 1,322 | |

⁽¹⁾ An additional 69 independent living units, along with other improvements and renovations, are currently under construction at Buckner Villas, expected to be available for occupancy by the end of 2017.

⁽²⁾ Renovations of certain common areas at Buckner Westminster Place are under construction, expected to be completed by summer 2017.

⁽³⁾ An additional 36 independent living, 7 assisted living and 18 skilled nursing beds, along with other improvements and renovations, are currently under construction at Calder Woods, expected to be available for occupancy by the end of 2017.

Below is a map of the communities currently managed by BRS. The Community will be managed upon completion of construction and opening.



BRS Management Agreement

The Obligor has entered into a Management Services Agreement (the "*Management Agreement*") with BRS, pursuant to which BRS will provide certain management services to or for the Obligor and the Community as described below. The term of the Management Agreement is indefinite unless and until BRS and the Obligor mutually agree to amend or supersede the Management Agreement.

Pursuant to the Management Agreement, BRS will (i) develop and maintain a management structure to administer the policies, directives and strategic direction of the Obligor; (ii) prepare and manage certain financial reports of the Obligor, including monthly, quarterly and annual financial reports, annual budgets, required external reports such as those required by the IRS or CMS, centralized cash disbursement and payroll services and debt and investment policies and decisions; (iii) administer the Obligor's human resources program, including hiring, payroll and employee benefits; (iv) support and assist the Obligor in promoting its services through public relations, marketing, fundraising and community relations; (v) assist the Obligor with its strategic planning; (vi) assist and coordinate the Obligor's technology program; (vii) assist and support the Obligor with its compliance with applicable federal, state and local regulatory requirements; (viii) provide assistance and strategic direction regarding operations, facilities, and technology; and (ix) include the Obligor in joint purchasing programs with BRS to achieve cost savings through economies of scale and joint purchasing power.

In consideration of BRS providing the services described in the paragraph above, the Obligor will pay management fees to BRS based on its net resident revenues beginning upon the first Independent Living Resident (as defined below) move-in. Per the Management Agreement, the management fee will equal 5.0% of the Obligor's gross revenues (the "*Management Fee*"). The Management Fee will be comprised of two components: (1) a current Management Fee (the "*Current Management Fee*") and (2) a deferred Management Fee (the "*Deferred Management Fee*"). The current Management Fee is the greater of (a) 3% of the Obligor's gross revenues or (b) \$15,000 per month payable on or before the 10th day of each month. The deferred Management Fee is the greater of (a) 2% of the Obligor's gross revenues or (b) \$10,000 per month. At the conclusion of each year the deferred Management Fee will be paid to BRS pursuant to the terms of the Master Indenture. To the extent that the Obligor is unable to pay the deferred Management Fee at the end of any year, such amounts will be considered Subordinated Debt and

will be secured under the Master Indenture. Any unpaid Management Fees will bear interest at 5% per year. See **"Master Indenture – Payment of Affiliate Management Fees"** in **APPENDIX C**.

Pursuant to the Management Agreement, all person employed for the operation of the Obligor are the Obligor's employees. Accordingly, any costs associated with the Executive Director and other employees for the Obligor are not included in the Management Fee.

THE OBLIGOR AND THE COMMUNITY

General Description

The Community will be located on approximately 3.04 acres at the southwest corner of Northwest Highway and North Central Expressway (US 75), nearly seven miles from downtown and adjacent to the Park Cities and Preston Hollow neighborhoods (the "*Project Site*"). On July 25, 2012, the Obligor entered into a land purchase agreement, pursuant to which the Project Site was acquired for a purchase price of \$4,796,394.

The Community is planned to consist of 189 independent living units (the "*Independent Living Units*"), 38 assisted living units (the "*Assisted Living Units*"), 26 memory support assisted living units (the "*Memory Support Units*") and 72 skilled nursing beds (the "*Skilled Nursing Beds*"), which consist of 48 long-term beds and 24 short-term rehabilitation beds, in two, twelve-story towers (the "*North Tower*" and "*South Tower*"). Independent living common areas of the Community will include a grand hall multi-purpose space, a wellness center and indoor pool, library, TV/media room, art and activity spaces, three distinct dining venues with outdoor spaces and a sky lounge on the top floor of the south tower. The Community will include surface parking as well as parking underneath both towers.

Conveniences important to seniors including shopping, pharmacies, grocery stores, gas stations, banks, restaurants and a retail mall, NorthPark Center, are located near the Project Site. There are numerous medical clinics located near the Project Site including family practice and specialty services. Additionally, there are several hospital systems located within a few miles of the Project Site. See **"FINANCIAL FEASIBILITY STUDY"** in **APPENDIX B** for a detailed market analysis. **THE FINANCIAL FEASIBILITY STUDY SHOULD BE READ IN ITS ENTIRETY, INCLUDING MANAGEMENT'S NOTES AND ASSUMPTIONS SET FORTH THEREIN.**

Obligor Board of Directors

The business affairs of the Obligor are governed by a Board of Directors (the "*Ventana Board*"). The Ventana Board currently consists of six members, who each serve for a term of one year and until a successor has been elected and qualified. As their terms expire Members of the Ventana Board shall be elected or re-elected, as the case may be, by BRS, as sole member, at its annual meeting. The members of the Ventana Board serve without compensation for their services.

The current members of the Ventana Board, their occupations and their Board terms are as follows:

| Name and Office | Beginning Service Date on Ventana Board | Term Expires | Occupation |
|-------------------------|--|---------------------|---------------------------------------|
| Ed Francis, Board Chair | 2017 | 2017 | Mortgage Banker |
| Rodney Henry | 2017 | 2017 | Physician |
| Lynette Guy Ranton | 2017 | 2017 | Retired: Attorney |
| Albert Reyes | 2017 | 2017 | President and CEO |
| Steve Wakefield | 2017 | 2017 | Vice President and General Counsel |
| Charlie Wilson | 2017 | 2017 | Senior Vice President |

Independent Living Units

The 189 Independent Living Units in the Community will be located in the two towers – floors four through twelve in the South Tower and six through twelve in the North Tower. The Community will offer one, two and three-bedroom units in 26 distinct unit designs. The independent living common areas have been designed to provide convenient access to all dining, fitness, activity, and social gathering spaces from the two towers. Each independent living resident (the "*Independent Living Resident*") is provided with monthly dining credits, scheduled housekeeping, laundry service, regular maintenance and transportation. A full-time Life Enrichment Director will coordinate a variety of social, recreational, educational, and cultural programs for those Independent Living Residents wishing to participate. Under-building parking will be provided to each Independent Living Unit in conformance with the Obligor's parking policy.

Each Independent Living Unit will be furnished with options for floor coverings, cabinets, and countertops; window treatments; appliances, including a refrigerator and freezer with ice maker, range/oven, dishwasher, microwave oven, garbage disposal, washer, and dryer; an emergency call system; fire sprinkler system; and cable/telephone/data communication ports. Initial Independent Living Residents of the Community have the option to customize their Independent Living Unit at their expense, subject to the Community's policies and with the Community's prior written approval. The Community reserves the right to restore the Independent Living Unit to its pre-altered state upon vacancy of the Independent Living Unit by the Independent Living Resident. The cost of restoration, as determined by the Community, is the responsibility of the Independent Living Resident and may be withheld from any Entrance Fee (as defined herein) refund due.

The Independent Living Unit types and square footages planned for the Community are detailed in the table under the heading "**RESIDENCY AGREEMENT – Resident Fee Structure.**"

By entering into a Residency Agreement (hereinafter defined), each eligible Independent Living Resident will be entitled to basic assisted living and health center services provided by the Obligor at the Community (the "*Life Care Benefit*"). See "**RESIDENCY AGREEMENT – Services to Independent Living Residents**" herein for a further description of the services provided to Independent Living Residents of the Community; "**RESIDENCY AGREEMENT – Resident Fee Structure**" for a description of the types of fees by Independent Living Residents and "**RESIDENCY AGREEMENT – Life Care Benefit**" herein for a description of the Life Care Benefit provided to Independent Living Residents of the Community.

Assisted Living

The Obligor will offer 38 Assisted Living Units and 26 Memory Support Units at the Community. The Assisted Living Units have been designed to foster the continued independence of persons who require varying amounts of assistance with activities of daily living. The Assisted Living Units will be private apartments with kitchenettes and full baths and will be furnished with amenities similar to the Independent Living Units, but do not include the kitchen range, dishwasher, or washer and dryer.

The Assisted Living common areas will include a living room, library, dining room, fitness room, activity room, several balconies, and administrative and support areas. The Assisted Living Units will be located on the second and third floors of the South Tower.

The Memory Support Units, which are located in a secure environment on the fifth floor of the North Tower, will be private units with full baths, but without kitchenettes. The Memory Support Units will have dedicated common areas including a dining room, a living room, activity space, and a secure garden area.

Admission to Assisted Living and Memory Support Units will be provided for Independent Living Residents of the Community in accordance with the terms of the Residency Agreement. The Assisted Living Units and Memory Support Units will also be available for occupancy by persons other than Independent Living Residents of the Community ("*Direct Admit Residents*"). Direct Admit Residents will be admitted, pursuant to the terms of a separate admission agreement, to the extent the Assisted Living Units and Memory Support Units are not required to

accommodate Independent Living Residents of the Community. Direct Admit Residents will pay a monthly service fee (the "*Direct Admit Monthly Service Fee*") but no Entrance Fee (hereinafter defined).

Summarized below is the Direct Admit Monthly Service Fee planned to be effective through December 31, 2019 for Direct Admit Residents, the types of Assisted Living Units and Memory Support Units and the approximate square footage of each unit type.

ASSISTED LIVING – DIRECT ADMIT MONTHLY SERVICE FEE

| Assisted Living Services | Number of units | Approximate Square Footage | Direct Admit Monthly Service Fee in 2019 \$ ^{(2) (4)} |
|---|-----------------|----------------------------|--|
| <i>Traditional Assisted Living Units ⁽¹⁾</i> | | | |
| Studio | 6 | 406 | \$5,295 |
| One-Bedroom/Den | 30 | 598 | \$6,095 |
| Two-Bedroom | 2 | 893 | \$6,995 |
| <i>Memory Support Units</i> | | | |
| Studio | 26 | 369 | \$6,995 |
| Overall Total/Weighted Average | 64 | 502 | \$6,439 |

⁽¹⁾ Assisted living second person fees are \$1,500 in 2019 dollars, the anticipated year of initial move-ins.

⁽²⁾ Single Independent Living Residents, upon permanent transfer to an Assisted Living Unit or Memory Support Unit and release of the Independent Living Unit, the Monthly Service Fee will be adjusted to the then current Monthly Service Fee for the Fuchsia style two-bedroom Independent Living Unit. See "**RESIDENCY AGREEMENT – Resident Fee Structure**" and "**Life Care Benefit**."

⁽³⁾ Limited assistance with activities of daily living are planned to be included in the Monthly Service Fees paid by Direct Admit Residents. Direct Admit Residents that require additional assistance will have level of care fees, in addition to the Monthly Service Fees, up to \$1,500 in 2019 dollars, the anticipated year of initial move-ins.

⁽⁴⁾ Direct Admit Monthly Service Fees are expressed in 2019 dollars, the anticipated year of initial move-ins.

Skilled Nursing

The Community will feature 72 Skilled Nursing Beds, consisting of 68 private beds and four beds in semi-private rooms. Skilled Nursing will be composed of 48 long-term care beds in four neighborhoods located on the second and third floor and 24 short-term rehabilitation beds located on the first floor of the North Tower. Skilled nursing has secure access through a separate health care entrance at the west side of the building, with a porte cochere entranceway.

The skilled nursing area for long-term care includes four neighborhoods of 12 Skilled Nursing Beds each, including one semi-private room in each neighborhood. Each neighborhood features small house design with a separate residential-style entrance, dining and living rooms, open kitchen available for resident activities, outdoor space and activity space. The 24 short-term rehabilitation beds, located on the first floor, feature a rehabilitation gym, physical/occupational therapy space, dining and living rooms, activity areas, and a second entrance directly from the exterior.

Admission to the Skilled Nursing Beds will be provided for Independent Living Residents of the Community in accordance with the terms of the Residency Agreement. The Skilled Nursing Beds will also be available for occupancy by Direct Admit Residents. Direct Admit Residents will be admitted, pursuant to the terms of a separate admission agreement, to the extent the Skilled Nursing Beds are not required to accommodate Independent Living Residents of the Community. Direct Admit Residents will pay a Direct Admit Daily Rate (the "*Direct Admit Daily Rate*") but no Entrance Fee (hereinafter defined).

Summarized below is the Direct Admit Daily Rate planned to be effective through December 31, 2019 for Direct Admit Residents.

SKILLED NURSING – DIRECT ADMIT DAILY RATES

| Skilled Nursing Services | Number of Beds | Semi-Private Daily Rate in 2019 \$ ⁽³⁾ | Private Daily Rate in 2019 \$ ^{(1) (3)} |
|---|----------------|---|--|
| Long-term Care Beds | 48 | \$300 | \$350 |
| Short-term Rehabilitation Beds ⁽²⁾ | 24 | N/A | \$475 |
| Overall Total/Weighted Average | 72 | \$300 | \$394 |

⁽¹⁾ Single Independent Living Residents, upon permanent transfer to a private Skilled Nursing Bed and release of the Independent Living Unit, the Monthly Service Fee will be adjusted to the then current Monthly Service Fee for the Fuchsia style two-bedroom Independent Living Unit. See **"RESIDENCY AGREEMENT – Life Care Benefit."**

⁽²⁾ Financial projections for the Community assume 24 of the Skilled Nursing Beds are occupied by Medicare patients. The anticipated average gross reimbursement rate (including ancillary charges) for Medicare stays is approximately \$475 per day in 2019, the anticipated year of initial move-ins.

⁽³⁾ Direct Admit Daily Rates are expressed in 2019 dollars, the anticipated year of initial move-ins.

REGULATORY AND ENVIRONMENTAL PERMITS AND APPROVALS

As with all major construction projects, the Obligor must obtain numerous licenses, permits, or approvals from various governmental agencies, both for construction work and to operate various portions of the Community after completion. Applications for certain approvals may not be made until certain Project Site work and detailed plans have been prepared or construction is completed. In some cases, approvals may only involve an administrative review to ensure compliance with approvals already obtained or payment of a fee and in other cases approvals may involve the exercise of discretion by governmental authorities. See **"RISK FACTORS – Construction Risk"** and **"-Licensing Delay"** in the Official Statement.

The various approvals and permits necessary for the Obligor to begin construction and operations of the Community are outlined below.

Healthcare Licensure

Assisted living and skilled nursing are subject to the licensure requirements of the Texas Department of Health and Human Services under Chapter 247 and 242, Health and Safety Code. The Obligor submitted the plans to the Texas Department of Aging and Disability Services ("TDADS") for review on December 16, 2016. The Obligor's Architect conducted progress review meetings with TDADS' review section in Austin in 2015 and 2016. TDADS does not provide official approval or permits prior to construction. The comments received from TDADS will be addressed in the construction documents, as appropriate, prior to or during construction. Courtesy inspections will be requested with TDADS at various milestones of construction progress. Following the completion of construction, TDADS will conduct a health survey, as required for licensure approval. The Obligor expects to obtain licensure approval after the Community opens, pursuant to TDADS procedures.

Zoning

The Obligor has received all required zoning approvals for the Community.

Certificate of Authority

Under Texas law, continuing care providers that require payment of an entrance fee must obtain a Certificate of Authority ("COA") from the Texas Department of Insurance prior to entering into a contract to provide continuing care, such as a Residency Agreement. Therefore, prior to the Obligor's receipt of a COA, prospective residents are required to sign a Reservation Agreement (the *"Reservation Agreement"*). See **"RESERVATION**

AGREEMENT" herein. Following the issuance of the Series 2017 Bonds, the Obligor will submit the COA application. Once the COA is received from the Texas Department of Insurance, the Obligor will be allowed to ask prospective residents to sign a Residency Agreement. See "**RESIDENCY AGREEMENT – Resident Fee Structure**" herein.

Building Permits

All civil site work, utilities, and building plans & specifications for the Community have been approved by the City of Dallas. The City of Dallas allowed the Obligor to pay \$25,000 of the permit review fees due for the general building permit at submission, with the remainder of the fees deferred until issuance of the Series 2017 Bonds. In early May, the Obligor expects to submit City-required "three-way contracts," to be signed by the Obligor and the subcontractors, confirming the intent to construct the drainage and water/waste water utility scopes that were approved by the City of Dallas in June 2016. The Obligor expects the City of Dallas to confirm the completeness of the contracts at a preconstruction meeting scheduled in May. Permits are expected to be issued by the City of Dallas to the Obligor's possession upon payment of the remainder of the permit review fees, which will occur upon the issuance of the Series 2017 Bonds. The Obligor is not aware of any reason why the permits would not be issued upon payment of such fees.

Environmental Study

A Phase I Environmental Site Assessment (the "*Environmental Site Assessment*") was completed on the Project Site where the Community will be constructed by Farmer & Associates ("*F&A*"), which issued a final report dated March 19, 2012. F&A's review of standard historical sources revealed that the Project Site has been vacant and undeveloped from at least 1942 through present day. The historical sources that were reviewed for the report did not reveal any recognized environmental conditions ("*REC*") relative to the Project Site and investigation of the Project Site and surrounding parcels revealed no RECs. Accordingly, F&A concluded that no further environmental investigations of the Project Site were needed at that time.

In connection with the issuance of the Series 2017 Bonds, the Obligor obtained an updated Environmental Site Assessment from F&A on February 21, 2017, which report confirms the previous findings.

A geotechnical study was completed for the Site by Alpha Testing, Ind. ("*Alpha*"), which issued a final report on September 9, 2015. An addendum was issued on December 15, 2015, regarding parking garage subfloor drainage. Both reports were used by the design team in determining the structural system for the building and the appropriate depth for the below-grade parking garage design. No further geotechnical study was deemed necessary.

Construction Access Agreements

The Obligor presented proposed construction access agreements (the "*Access Agreements*") to the adjacent property owners – Piedmont One Lincoln Park ("*Piedmont*") to the west and Hyatt House Dallas ("*Hyatt*") to the south of the Project Site. The Access Agreements request reasonably necessary access on, across, above or under portions of the adjacent properties to accomplish various aspects of the construction, including but not limited to installing soil retention tie-backs and shoring systems across property lines for purposes of constructing the below-grade parking garage, as well as for construction traffic and fencing on Lincoln Park Drive (a private land parcel). The Access Agreements are necessary in order to carry out that portion of the construction as currently designed, which is scheduled to commence in the second month of construction of the Project.

The necessary engineering to confirm the scope was completed by the civil engineer and subcontractor in March. The Access Agreements and exhibits were presented to Piedmont and Hyatt at the end of March. Piedmont engaged a third party engineering & testing firm to review the scope and provided counsel's comments to the Access Agreement in early April. The revisions requested by Piedmont are reasonable, given the scope and duration of the access requested. The Obligor has contacted the firm that owns the Hyatt property to conduct a meeting to review the scope of the Access Agreement. The Obligor currently anticipates obtaining approvals of the Access Agreements from Piedmont and Hyatt by the end of May.

RESERVATION AGREEMENT

In order to reserve an Independent Living Unit prior to the Obligor's receipt of the COA, a prospective resident must execute a Reservation Agreement, provide self-disclosure of health and finances, and place an Entrance Fee Deposit (hereinafter defined) on the selected Independent Living Unit. See "**MARKETING – Reservation of Independent Living Units**" and "**REGULATORY AND ENVIRONMENTAL, PERMITS AND APPROVALS – Certificate of Authority**" herein. The Reservation Agreement reserves the right of the prospective resident to select an Independent Living Unit and indicate his or her intent to execute a Residency Agreement (as hereinafter defined).

The data submitted by prospective residents is evaluated and reviewed by the Obligor to determine if the requirements of the applicants for residency as Independent Living Residents are met, as described in the section titled "**RESIDENCY AGREEMENT.**" Prospective residents are subsequently notified of the decision to accept or reject their applications. In the case of prospective residents being accepted for residency, Reservation Agreements are executed by the prospective resident and the Obligor. In the case of applicants rejected for residency, their Entrance Fee Deposits are refunded within thirty days. The execution of the Reservation Agreement does not constitute a binding commitment to establish occupancy at the Community on the part of any prospective resident. Prospective residents may terminate their Reservation Agreements prior to actual occupancy and receive refunds of their Entrance Fee Deposit, with interest earned, if applicable, from the Obligor.

The Reservation Agreement also provides eligible Independent Living Residents guaranteed direct admission, upon payment of the full Entrance Fee (hereinafter defined) due, to Assisted Living, Memory Support or the Health Center under the Life Care Benefit, should their health needs change prior to the opening of the Community.

RESIDENCY AGREEMENT

A Residency Agreement ("*Residency Agreement*") is a contract under which the Obligor is obligated, if a prospective resident establishes occupancy, to provide certain services to that Independent Living Resident. See "**Services to Independent Living Residents**" below. Under Texas law, upon receipt of the COA, the Obligor can present the Residency Agreement to prospective Independent Living Residents for execution. See "**MARKETING – Reservation of Independent Living Units**" and "**REGULATORY AND ENVIRONMENTAL, PERMITS AND APPROVALS – Certificate of Authority**" herein.

The Obligor will consider applications for residence in the Independent Living Units based upon the guidelines for the acceptance of Independent Living Residents described below and will maintain sole discretion on the decision to accept an Independent Living Resident. An application for residence in an Independent Living Unit will be accepted only if the applicant demonstrates the ability to live independently and to meet the financial obligations as an Independent Living Resident of the selected Independent Living Unit. Each resident must be 62 years of age or older at the time of establishing occupancy. In the event of two residents, only one must be 62 years of age or older. No children may reside in the Community unless otherwise agreed by the Obligor.

Nondiscrimination

The Community will be operated on a non-discriminatory basis, and will provide the facilities and services described in the Residency Agreement to individuals without unlawful discrimination due to race, color, religion, sex, age, national origin, ancestry, disability or any other unlawful reason.

Resident Fee Structure

There are two types of residency fees required of all Independent Living Residents executing Residency Agreements: an entrance fee ("*Entrance Fee*") and a monthly service fee ("*Monthly Service Fee*"). The Entrance Fee is a lump sum, one-time payment based on the type of Independent Living Unit to be occupied by the Independent Living Resident. To reserve an Independent Living Unit, a prospective resident must pay 10% of the Entrance Fee ("*Entrance Fee Deposit*") prior to or upon execution of the Residency Agreement, and pay the

remaining 90% of the Entrance Fee on or before the date of occupancy. The Monthly Service Fee is based on the type of Independent Living Unit selected by the Independent Living Resident. In addition to the first resident's Monthly Service Fee, an additional Monthly Service Fee is payable for a second resident living in an Independent Living Unit.

The Obligor currently offers three residency plan options to Independent Living Residents. All of the plans offer the Life Care Benefit. See the information under the caption "**Life Care Benefit**" below for a detailed description of the Life Care Benefit. "Plan A" is a 90% refundable contract, "Plan B" is a 50% refundable contract and "Plan C" is a 0% refundable or fully amortizing plan. Under Plan A, 90% of the total Entrance Fee, without interest, is refundable upon termination of the Residency Agreement. Independent Living Residents who are eligible for Charter Resident Benefits (as hereinafter defined) and have selected Plan A, will receive a 95% refund of the total Entrance Fee without interest. Under Plan B, the Entrance Fee will be reduced by 10% upon the day of initial occupancy and the remainder of the refundable portion of the Entrance Fee will be amortized and reduced pro rata for each month of occupancy up to 24 months (approximately 1.6666% per month), but in no event will the Entrance Fee refund amortize below 50% of the Entrance Fee. Under Plan C, the Entrance Fee will be reduced by 10% upon the day of initial occupancy and the remainder of the refundable portion of the Entrance Fee will be amortized and reduced pro rata for each month of occupancy up to 36 months (approximately 2.5% per month), until the Entrance Fee is no longer refundable. Refunds of the appropriate percentage of the Entrance Fee under Plans A, B and C will be paid upon receipt of sufficient proceeds to fully fund the refund obligation from the subsequent sale of a similar Independent Living Unit. Plan A is the base pricing plan for the Independent Living Units. Plans B and C are adjusted from Plan A pricing to reflect the different refundability/service options. The table on the following page illustrates the planned Monthly Service Fees and Entrance Fees under Plan A (expressed in 2019 dollars, the anticipated year of initial move-ins):

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RESIDENT FEE STRUCTURE – INDEPENDENT LIVING

| Independent Living Units | Number of Units | Unit Size (Square Feet) ⁽¹⁾ | 2019 Monthly Fee ⁽²⁾ | 2019 Charter Entrance Fee ⁽³⁾⁽⁵⁾ | 2019 Construction Entrance Fee ⁽⁴⁾⁽⁵⁾⁽⁶⁾ |
|--------------------------|-----------------|--|---------------------------------|---|---|
| Baltic | 7 | 947 | \$3,570 | \$405,500 – \$479,200 | \$436,900 - \$515,900 |
| Indigo | 9 | 1,008 | \$3,830 | \$534,200 – \$558,000 | \$575,900 – \$600,900 |
| Sapphire | 1 | 1,033 | \$4,120 | \$533,800 | \$574,900 |
| Cobalt | 8 | 947/1,196 | \$3,560 | \$474,400 – \$513,800 | \$510,900 - \$553,900 |
| Topaz | 6 | 1,127 | \$4,490 | \$582,400 – \$594,000 | \$626,900 – 639,900 |
| Cyan | 7 | 1,443 | \$5,250 | \$767,600 – \$782,300 | \$837,900 - \$853,900 |
| Emerald | 7 | 1,156 | \$4,470 | \$612,700 – \$624,600 | \$659,900 – 672,900 |
| Jade | 9 | 1,183 | \$4,490 | \$616,500 – \$643,900 | \$663,900 – \$693,900 |
| Viridian | 8 | 1,173 | \$4,560 | \$621,700 – \$633,800 | \$678,900 – \$691,900 |
| Cerise | 8 | 1,264/1,513 | \$5,040 | \$653,200 – \$685,700 | \$712,900 – \$748,900 |
| Amaranth | 7 | 1,270 | \$4,900 | \$662,500 – \$675,400 | \$723,900 - \$737,900 |
| Magenta | 8 | 1,273 | \$4,830 | \$663,500 – \$689,400 | \$724,900 - \$752,900 |
| Fuchsia | 7 | 1,327 | \$5,120 | \$702,800 – \$716,500 | \$767,900 - \$782,900 |
| Violet | 7 | 1,367 | \$5,330 | \$724,500 – \$738,600 | \$790,900 - \$806,900 |
| Concord | 9 | 1,432 | \$5,280 | \$761,400 – \$776,000 | \$831,900 - \$847,900 |
| Eminence | 9 | 1,433 | \$5,550 | \$759,500 – \$774,300 | \$828,900 - \$845,900 |
| Imperial | 9 | 1,433 | \$5,550 | \$759,500 – \$793,300 | \$828,900 - \$865,900 |
| Amethyst | 7 | 1,405 | \$5,600 | \$759,500 – \$774,100 | \$829,900 - \$844,900 |
| Lavender | 1 | 1,592 | \$6,340 | \$854,300 | \$932,900 |
| Wisteria | 9 | 1,593 | \$6,350 | \$861,200 – \$898,800 | \$939,900 - \$981,900 |
| Orchid | 7 | 1,759 | \$6,580 | \$934,800 – \$975,600 | \$1,020,900 - \$1,064,900 |
| Garnet | 7 | 1,433 | \$5,710 | \$763,300 – \$778,100 | \$833,900 - \$849,900 |
| Ruby | 7 | 1,514 | \$5,830 | \$801,900 – \$817,500 | \$875,900 - \$892,900 |
| Crimson | 7 | 1,591 | \$6,100 | \$829,500 – \$866,400 | \$905,900 - \$945,900 |
| Scarlet | 9 | 1,612 | \$6,420 | \$871,500 – \$888,200 | \$951,900 - \$969,900 |
| Amber | 9 | 2,022 | \$7,710 | \$1,074,600 – \$1,121,400 | \$1,226,900 - \$1,280,900 |
| Total/Weighted Average | 189 | 1,324 | \$5,276 | \$732,445 | \$800,412 |

⁽¹⁾ Square footages include balcony or patio where applicable.

⁽²⁾ Charter Residents (as hereinafter defined) receive two months complimentary Monthly Service Fee. The standard second person Monthly Fee is \$1,300 in 2019; Charter Residents receive a \$100 discount on second persons fee and Construction Residents (as hereinafter defined) receive one month complimentary Monthly Service Fee.

⁽³⁾ Entrance Fee pricing shown reflects Plan A Charter Resident pricing, with approximately 11% discount from standard pricing. Charter Residents who have selected Plan A will receive a 95% refund of the total Entrance Fee.

⁽⁴⁾ Entrance Fee pricing shown reflects Plan A Construction Resident pricing, with approximately 2% discount from standard pricing. Construction Residents who have selected Plan A will receive a 95% refund of the total Entrance Fee.

⁽⁵⁾ Entrance Fees for Independent Living Resident choosing Plan B or Plan C receive a discount of approximately 20% and 32% from pricing shown, respectively.⁽⁶⁾ Construction Residents and residents under standard pricing will be subject to an additional second person entrance fee of \$72,500 for Plan A.

[Remainder of page intentionally left blank]

The following table highlights key pricing differences between the three residency plan options and the number of current of depositors on each plan:

ENTRANCE FEE STRUCTURE

| Plan Type | Entrance Fee Discount off Plan A Pricing | Entrance Fee Refundability | Amortization Period | Number of Current Depositors on Plan |
|-----------|--|-------------------------------|------------------------|---|
| Plan A | 0% | 90% | 0 months | 91 |
| Plan B | 20% | 50% | 24 months | 16 |
| Plan C | 32% | 0% | 36 months | 24 |

Additional services may be available on a fee-for-service basis including additional housekeeping, laundry services for personal items, catering for special occasions, tray service, additional resident and guest meals, and barber and beauty services.

Charter Resident Benefits

To encourage early commitments to residency at the Community, the Obligor offered early depositors ("*Charter Residents*") a package of benefits ("*Charter Resident Benefits*") for the Community. Charter Resident Benefits include, but are not limited to, the following: (i) an approximate 11% discount on the Entrance Fee from standard pricing; after occupancy, 95% refundability of the Entrance Fee upon termination of the Residency Agreement (Plan A only) and receipt of sufficient proceeds to fully fund the refund obligation from the next re-sale and occupancy of a similar type Independent Living Unit; (ii) lifetime discounted second person's Monthly Service Fee of \$100; (iii) 0.25% higher interest earnings on the Entrance Fee Deposit than what is actually earned on the escrow account; (vi) a moving allowance of \$2,500; (v) opportunity to personalize the selected Independent Living Unit with standard finishes or with upgrades, as approved by management and at the cost of the Charter Resident; (vi) two months complimentary Monthly Service Fee; and (vii) guaranteed occupancy in the Community, regardless of change in health status.

Subsequent to concluding the Charter Resident Benefits program in December 2015, and continuing through the start of construction of the Community, the Obligor began offering depositors ("*Pre-construction Residents*") a reduced package of benefits ("*Pre-construction Resident Benefits*") substantially similar as the Charter Resident Benefits. Specifically, Pre-construction Resident Benefits include, but are not limited to, the following: (i) an approximate 5% discount on the Entrance Fee from standard pricing; after occupancy, 95% refundability of the Entrance Fee upon termination of the Residency Agreement (Plan A only) and receipt of sufficient proceeds to fully fund the refund obligation from the next re-sale and occupancy of a similar type Independent Living Unit; (ii) lifetime discounted second person's Monthly Service Fee of \$100; (iii) 0.25% higher interest earnings on the Entrance Fee Deposit than what is actually earned on the escrow account; (iv) opportunity to personalize the selected Independent Living Unit with standard finishes or with upgrades, as approved by management and at the cost of the Pre-construction Resident; and (v) guaranteed occupancy in the Community, regardless of change in health status. In addition, the Obligor offered supplementary benefits of two months complimentary Monthly Service Fee and moving allowance of \$2,500 to Pre-construction Residents on a case-by-case basis.

To qualify as a Charter Resident or a Pre-construction Resident, the applicant must pay an Entrance Fee Deposit, execute a Reservation Agreement and qualify financially prior to start of construction for the Community. Charter Residents and Pre-construction Residents are required to move into the Community within two months of the Independent Living Unit availability date, in order to receive the Charter Resident Benefits and Pre-construction Resident Benefits, as described above. As of March 31, 2017, approximately 72 prospective Independent Living Residents qualify as Charter Residents and 59 qualify as Pre-construction Residents.

Construction Resident Benefits

Subsequent to offering Pre-construction Resident Benefits and commencing with the start of construction of the Community, the Obligor is expected to offer depositors ("*Construction Residents*") a new package of benefits ("*Construction Resident Benefits*") including, but not limited to, the following: (i) an approximate 2% discount on the Entrance Fee from standard pricing; after occupancy, 95% refundability of the Entrance Fee upon termination of the Residency Agreement (Plan A only) and receipt of sufficient proceeds to fully fund the refund obligation from the next re-sale and occupancy of a similar type Independent Living Unit; (ii) priority access to health care services with lifetime discounts; (iii) a moving allowance of \$2,500; (iv) an opportunity to personalize the selected Independent Living Unit, subject to approval of Management; (v) one month complimentary Monthly Service Fee; and (vi) guaranteed occupancy in the Community, regardless of change in health status.

To qualify as a Construction Resident, the applicant must have paid an Entrance Fee Deposit, executed a Reservation Agreement and qualified financially prior to first occupancy of the Community. Construction Residents are required to move into the Community within two months of the Independent Living Unit availability date, in order to receive the Construction Resident Benefits, as described above.

Financial Assistance

If an Independent Living Resident of the Community can no longer pay the Monthly Service Fee in full due to lack of funds for reasons beyond the control of the Independent Living Resident, the Obligor, in its sole discretion, may choose to subsidize, in whole or in part, such Monthly Service Fees and other charges, provided the ability of the Community to operate on a sound financial basis for all Independent Living Residents is not materially impaired. In the event that financial assistance is provided by the Obligor, such amounts, plus interest, may be charged against the refund of the Entrance Fee owed to an Independent Living Resident upon termination of the Residency Agreement. The Obligor may also require an Independent Living Resident receiving financial assistance to move to a smaller or less expensive Independent Living Unit, Assisted Living Unit, Memory Support Unit, or Skilled Nursing Unit.

Services to Independent Living Residents

Upon payment in full of the Entrance Fee and ongoing payment of the Monthly Service Fee, each Independent Living Resident will have the use of an Independent Living Unit and receive certain basic services. Services are expected to include: (i) monthly dining credits (via declining balance); (ii) all utilities except telephone and premium cable television services; (iii) weekly housekeeping of the Independent Living Unit; (iv) weekly cleaning and changing of bed linens; (v) maintenance of all common areas and equipment; (vi) repair, maintenance or replacement of furnishings provided in the Independent Living Units; (vii) regularly scheduled local transportation; (viii) 24-hour monitoring of the emergency alert system; (ix) a variety of social, recreational, educational, cultural, and health wellness programs; (x) one parking spot per Independent Living Unit; and (xi) use of the community center, restaurant, lounges, residential storage, social and recreational rooms and other common activity facilities.

Life Care Benefit

The Obligor will provide Independent Living Residents, who have paid an Entrance Fee, with a Life Care Benefit that will include: (i) assisted living and memory support services; or (ii) nursing services that are available at the Health Center ("*Health Center*").

Assisted living services will be provided in a one bedroom Assisted Living Unit (able to accommodate couples as well) and are designed to assist Independent Living Residents with the activities of daily living, such as dressing, eating, bathing, toileting, and ambulating, and delivered in accordance with the routine care included in the then current Monthly Service Fee for the Fuchsia style two-bedroom Independent Living Unit. Memory support services will be provided in a one bedroom memory support Assisted Living Unit and are designed to assist Independent Living Residents with the activities of daily living, such as dressing, eating, bathing, toileting, and ambulating, and delivered in accordance with the routine care included in the then current Monthly Service Fee for

the Fuchsia style two-bedroom Independent Living Unit. Skilled Nursing services will be provided in a traditional private nursing room at the Health Center (or another comparable skilled nursing center only if unavailable at the Health Center) and delivered in accordance with the routine care included in the then current Monthly Service Fee for the Fuchsia style two-bedroom Independent Living Unit. Independent Living Residents transferred to an Assisted Living Unit, Memory Support Unit or Skilled Nursing Bed will be billed for non-routine care and ancillary services at the then-current rates for such items.

For single occupancy, upon permanent transfer to Assisted Living, Memory Support, or the Health Center and release of their Independent Living Unit, under the Residency Agreement, the Independent Living Resident's Monthly Service Fee will be adjusted to the then current Monthly Service Fee for the Fuchsia style two-bedroom Independent Living Unit. In the case of double occupancy and only one of the Independent Living Residents permanently transfers from the Independent Living Unit, the Monthly Service Fee for the Independent Living Unit will remain the same less the second person fee and the transferred Independent Living Resident will pay the charges applicable for the current second person fee. If both Independent Living Residents permanently transfer and release the Independent Living Unit under the Residency Agreement, the Monthly Service Fee will be adjusted to the then current Monthly Service Fee for the Fuchsia style two-bedroom Independent Living Unit plus the then current second person Monthly Service Fee. These rates represent a substantial discount from the usual and customary rates applicable to persons receiving care in Assisted Living and the Health Center who have not entered into a Residency Agreement with the Community.

Termination Prior to Occupancy

Prospective Independent Living Residents may terminate their Reservation Agreements or Residency Agreements and receive a refund of the Entrance Fee Deposit with interest at the rate earned on the escrow account. Prior to occupancy, prospective Independent Living Residents may terminate their Reservation Agreement or Residency Agreement and withdraw their Entrance Fee Deposits in full within seven days of executing the Reservation Agreement or Residency Agreement. After the seven-day rescission period, prospective Independent Living Residents terminating the Reservation Agreement or Residency Agreement prior to occupancy will receive, within 30 days of such termination, a full refund of any Entrance Fee Deposit paid.

Termination After Occupancy

After occupancy, the Residency Agreement may be voluntarily terminated by the Independent Living Resident at any time by providing 60 days' written notice of termination to the Obligor. Upon termination of the Residency Agreement and surrender of the Independent Living Unit, the Obligor will refund the Entrance Fee paid by the departing Independent Living Resident according to the Entrance Fee plan selected. The refund will be paid after receipt of sufficient Entrance Fee proceeds to fully fund the refund obligation from the re-sale and occupancy of any Independent Living Unit at the Community.

The Obligor may terminate a Residency Agreement if: (i) a material misrepresentation or omission by the Independent Living Resident in the Application for Residency, Confidential Medical Profile, if applicable, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Independent Living Resident for residency; (ii) the Independent Living Resident fails to comply with the policies and procedures of the Community or creates a situation detrimental to the health, safety or quiet enjoyment of the Community by other residents or the staff of the Community; (iii) the Independent Living Resident fails to pay the Monthly Service Fee or any amount owed to the Obligor under the Residency Agreement unless other mutually satisfactory arrangements have been made, provided that the Residency Agreement will not be terminated solely because of an Independent Living Resident's inability to pay Monthly Service Fees to the extent that the inability to pay is not the result of the Independent Living Resident's willful action, and in the judgment of the Obligor, the ability of the Community to operate on a sound financial basis will not be impaired; (iv) a material breach by the Independent Living Resident of the terms and conditions of the Residency Agreement; (v) the Independent Living Unit is no longer fit for occupancy and the Community elects not to restore the Independent Living Unit to habitable condition; or (vi) the Independent Living Resident has developed a dangerous or contagious disease or mental illness, is in need of drug or alcoholic rehabilitation or any other condition for which the Community is not licensed or for which care cannot be provided without a significant and unique expenditure or has become mentally or emotionally disturbed to a degree that the Independent Living Resident's continued presence in

the Community is determined to be detrimental to the health, safety and welfare of other residents or staff. The Residency Agreement will automatically terminate when an Independent Living Resident dies (except in the case of double occupancy).

In the event the Obligor terminates the Residency Agreement for cause in accordance with the Residency Agreement, the Obligor shall pay the Entrance Fee refund within 45 days of the Independent Living Resident vacating the Independent Living Unit, any refund due, less a reasonable amount to cover the anticipated cost of utilities, telephone and other applicable obligations, fees and charges as provided for in the Residency Agreement.

If two Independent Living Residents occupy an Independent Living Unit, and one of the Independent Living Residents terminates the Residency Agreement and the other determines to remain in the Independent Living Unit, the Monthly Service Fee will be adjusted for single occupancy. In such cases, Independent Living Residents are not eligible for refund of the Entrance Fee until termination of the Residency Agreement by both Independent Living Residents.

Independent Living Residents may elect to move to another Independent Living Unit, subject to availability. The existing Residency Agreement will be terminated and a new Residency Agreement will be executed for the newly selected Independent Living Unit. In the event that the relocation is to a less expensive Independent Living Unit, the Independent Living Resident will receive a refund of the refundable portion of the Entrance Fee paid for the vacated Independent Living Unit in excess of the refundable portion of the Entrance Fee then in effect for the new Independent Living Unit. In the event that the relocation is to a more expensive Independent Living Unit, the Independent Living Resident will be required to pay the difference between the initial Entrance Fee and the Entrance Fee then in effect for the new Independent Living Unit selected. A portion of the additional Entrance Fee will be nonrefundable. Under both circumstances, the Independent Living Resident will pay the then-current Monthly Service Fee for the new Independent Living Unit.

PRE-FINANCE DEVELOPMENT COSTS

BI provided guarantees to facilitate the making of additional loans and contributions in the aggregate amount of \$16,545,057 to finance pre-development costs (the "*Pre-Development Costs*"). The proceeds from the loan from a bank and the contributions from BI were used to fund expenses and cost of the Project Site acquisition, the architectural design, marketing, sales, preliminary construction planning, and legal and accounting costs of the for the Community. See "**ESTIMATED SOURCES AND USES OF FUNDS**" in the Official Statement. It is expected that a portion of the Series 2017 Bond proceeds will be used to repay the loan and reimburse BI for its contributions towards the Pre-Development Costs.

MARKETING

Marketing Program

Marketing efforts began February 25, 2014 in the form of a Priority Program (the "*Priority Program*") whereby potential Independent Living Residents make fully-refundable \$100 deposits in exchange for a priority number ("*Priority Members*") which gives that person the right to be contacted in sequential order according to the priority number to reserve one of the Independent Living Units (the "*Conversion Program*") by placing an Entrance Fee Deposit equivalent to 10% of the Independent Living Unit that they have selected (defined as a "*Presale*"). There were approximately 534 Priority Members prior to the start of the Conversion Program in August 2015.

Reservation of Independent Living Units

A prospective Independent Living Resident may reserve an Independent Living Unit by submitting a confidential data profile, including health and financial disclosures, executing a Reservation Agreement (or a Residency Agreement after receipt of the COA) and paying an Entrance Fee Deposit. The execution of a Reservation Agreement or a Residency Agreement does not constitute a binding commitment to establish occupancy at the Community on the part of any prospective Independent Living Resident.

Priority Members were offered the opportunity to enter into a Reservation Agreement beginning in August 3, 2015. As part of the reservation process, a prospective Independent Living Resident is provided a disclosure statement that includes a draft Residency Agreement. As of April 11, 2017, 131 of the 189 available Independent Living Units (representing 69.3% of the total available Independent Living Units) were reserved by prospective Independent Living Residents who paid an Entrance Fee Deposit and executed a Reservation Agreement as shown in the table below:

| Month | Number of Units Reserved | Number of Cancellations | Net Reservations for Month | Cumulative Units Reserved | Cumulative Percentage of Total Units |
|--------|-----------------------------|----------------------------|----------------------------------|------------------------------|--|
| Aug-15 | 51 | (1) | 50 | 50 | 26.5% |
| Sep-15 | 8 | (1) | 7 | 57 | 30.2% |
| Oct-15 | 5 | (2) | 3 | 60 | 31.7% |
| Nov-15 | 2 | 0 | 2 | 62 | 32.8% |
| Dec-15 | 6 | 0 | 6 | 68 | 36.0% |
| Jan-16 | 2 | (2) | 0 | 68 | 36.0% |
| Feb-16 | 1 | 0 | 1 | 69 | 36.5% |
| Mar-16 | 3 | 0 | 3 | 72 | 38.1% |
| Apr-16 | 4 | 0 | 4 | 76 | 40.2% |
| May-16 | 5 | (2) | 3 | 79 | 41.8% |
| Jun-16 | 6 | (4) | 2 | 81 | 42.9% |
| Jul-16 | 7 | 0 | 7 | 88 | 46.6% |
| Aug-16 | 7 | 0 | 7 | 95 | 50.3% |
| Sep-16 | 6 | 0 | 6 | 101 | 53.4% |
| Oct-16 | 2 | 0 | 2 | 103 | 54.5% |
| Nov-16 | 7 | (3) | 4 | 107 | 56.6% |
| Dec-16 | 5 | 0 | 5 | 112 | 59.3% |
| Jan-17 | 6 | (3) | 3 | 115 | 60.8% |
| Feb-17 | 12 | (1) | 11 | 126 | 66.7% |
| Mar-17 | 8 | (2) | 6 | 132 | 69.8% |
| Apr-17 | 0 | (1) | (1) | 131 | 69.3% |

DEVELOPMENT OF THE COMMUNITY

The Development Consultant was engaged to prepare the development plan for the Community which was completed and approved by the Obligor in April 2012. Subsequently, the Obligor engaged the Development Consultant to provide development consulting services during the planning and development of the Community pursuant to a Development Consulting Services Agreement dated December 2, 2013 (the "*Development Consulting Agreement*"). See "**Greenbrier Development Consulting Agreement**" below. Pursuant to the Development Consulting Agreement, the Development Consultant's role is to provide certain professional and consulting services related to the planning and development of the Community.

The Development Consultant's Experience

The Development Consultant is a privately-owned limited liability company organized and existing under the laws of the State of Delaware. The Development Consultant specializes in providing planning, development, marketing and strategic consulting services related to all areas critical to the senior housing and services business. The Development Consultant currently has a staff of approximately 34 persons, and senior leadership has more than 150 years of combined experience in senior housing development.

The Development Consultant is currently responsible for the development and/or marketing of approximately 12 senior living community development and expansion projects around the country. The Development Consultant has provided strategic consulting services to more than 75 senior living communities and providers since 2006. A representative list of retirement communities for which the Development Consultant has provided development consulting services includes the following.

| Community | Location | Status |
|---|-----------------------------|-----------------------------------|
| The Spires of Berry College | Rome, Georgia | 2018 Estimated Construction Start |
| Viamonte at Walnut Creek | Walnut Creek, California | 2018 Estimated Construction Start |
| Seabury | Bloomfield, Connecticut | 2018 Will Complete Construction |
| Wake Robin | Shelburne, Vermont | 2017 Estimated Construction Start |
| Ingleside at Rock Creek | Washington, D.C. | 2017 Estimated Construction Start |
| Ingleside at King Farm | Rockville, Maryland | 2017 Estimated Construction Start |
| The Culpeper | Culpeper, Virginia | 2017 Estimated Construction Start |
| Lakewood | Richmond, Virginia | 2017 Estimated Construction Start |
| Beacon Hill at Eastgate – Phase 2 | Grand Rapids, Michigan | 2017 Will Complete Construction |
| Hickman | West Chester, PA | 2017 Will Complete Construction |
| Peconic Landing | Greenport, New York | 2016 Construction Completed |
| Sinai Residences | West Palm Beach, Florida | 2016 Construction Completed |
| Mainstreet Capital | Waco, Texas | 2015 Construction Completed |
| Mainstreet Capital | Plano, Texas | 2015 Construction Completed |
| Plantation Village | Wilmington, North Carolina | 2015 Construction Completed |
| SearStone | Cary, North Carolina | 2014 Construction Completed |
| Twin Towers (Life Enriching Communities) | Cincinnati, Ohio | 2014 Construction Completed |
| EdenHill | New Braunfels, Texas | 2014 Construction Completed |
| Rydal Park (Presby's Inspired Life) | Abington Twp., Pennsylvania | 2013 Construction Completed |
| Town Creek (Methodist Retirement Communities) | Huntsville, Texas | 2013 Construction Completed |
| Wesley Pines (United Methodist Retirement Homes Inc.) | Lumberton, North Carolina | 2012 Construction Completed |
| Beacon Hill at Eastgate | Grand Rapids, Michigan | 2010 Construction Completed |

The senior management of the Development Consultant actively involved in the development of the Community includes the following persons:

Mike Gilliam, President and Chief Executive Officer, is responsible for providing strategic direction to the Development Consultant's clients in the areas of planning, development, financing and marketing. Mr. Gilliam has been in senior housing since 1990 and has worked with more than 400 clients over this time. Mr. Gilliam founded the Development Consultant in 2006, along with Tom Navin, with the goal of providing the best client service and objective advice. Prior to forming the Development Consultant, Mr. Gilliam was a Senior Vice President at another national senior housing company since 1990 and served various roles in the planning and development of approximately 30 senior living communities. He also led the new business development efforts. Prior to 1990, Mr. Gilliam was a consultant at Deloitte and Touche. He earned an MBA from the University of Texas at Austin.

Tom Navin, Chief Operating Officer and Executive Vice President, is responsible for coordination of all aspects of the Development Consultant's development team, including entitlements, site logistics, design, and construction related activities. Mr. Navin co-founded the Development Consultant in 2006 with Mike Gilliam after working for another national senior housing development firm for six years, where he was responsible for coordination of the full range of development services for its clients. Prior to 2000, Mr. Navin was a Development Project Manager where he was responsible for the planning and development of 20 senior living communities and two prototype designs. He also has 22 years of architectural, construction, and development experience. Mr. Navin received a bachelors degree in Architecture from the University of Illinois.

Barry Johnson, Executive Vice President of Marketing, joined the Development Consultant in May 2006 and is responsible for leading the marketing and sales organization at the Development Consultant. Mr. Johnson has more than 20 years' experience in senior housing, having previously worked for Vi (formerly Classic Residences by Hyatt) and Erickson. He received a bachelor's degree in Finance from the University of Maryland and an MBA from Michigan State University.

Stephen Young, Chief Financial Officer and Chief Administrative Officer, joined the Development Consultant as part of the initial management team, responsible for implementing and managing all Financial Reporting, Treasury, HR, IT and administrative functions for the Development Consultant as well as all cost reporting for client accounting. Prior to joining the Development Consultant, Mr. Young was Chief Financial Officer for Home Corporation International, responsible for establishing and directing all financial and administrative functions for a start-up encompassing five entities. Mr. Young was also an independent financial and management consultant for small businesses in the Houston area and previously gained 10 years' experience in the senior housing industry as Director of Finance with Marriott and as Controller for National Guest Homes, Inc. Mr. Young received a bachelor's degree in Finance from Southern Methodist University and an Executive MBA from the University of Houston.

Adam Heffernan, Senior Vice President of Planning and Finance, joined the Development Consultant in February 2006 and has spent more than 15 years working with senior housing organizations to plan and develop successful projects. Mr. Heffernan is responsible for the coordination of planning and consulting services for the Development Consultant's clients, including project-specific business planning, organizational strategic planning, coordination of financing activities for development projects and other aspects of project development. Prior to his career in senior housing development, he was a consultant with Peterson Consulting and Barrington Consulting, where he provided financial advisory services to clients involved in litigation and other disputes. Mr. Heffernan received a bachelor's degree in Accounting and a master's degree in Finance from Texas A&M University.

Gene Hooton, First Vice President of Development, has been developing senior living communities since 2004, with experience in the design, development and construction aspects of numerous senior living projects, including several new construction high rise communities. He joined the Development Consultant in February 2008, and is currently managing several new construction projects across the country, as well as several projects dealing with redevelopment and expansions of current campuses. Mr. Hooton's previous professional experience was as a developer in the multifamily industry, managing the design and construction of many luxury apartment communities across the country. Mr. Hooton attended the School of Architecture and received a bachelor's degree in Finance from the University of Texas in Austin.

Nancy May, First Vice President of Marketing, joined the Development Consultant in 2010. Her experience in the senior living industry spans more than 20 years and encompasses practical, on-site experience and responsibility for creating, administering, and managing marketing campaigns, as well as managing the marketing efforts of multiple communities and marketing teams simultaneously. During this time, Ms. May has become well-versed with start-ups, expansions, and census-challenged communities for single-site and system providers and includes success in marketing assisted living, skilled nursing, and hospice services. Ms. May's knowledge and experience provides the Development Consultant clients the edge they need to improve their processes and achieve their goals. Ms. May is one of the depositors for the Community, and qualifies as a Charter Resident.

Greenbrier Development Consulting Agreement

The Obligor engaged the Development Consultant to provide development consulting services for the Community pursuant to the Development Consulting Agreement. Pursuant to the Development Consulting Agreement, the Development Consultant is required to provide (a) all necessary planning to implement the plan for development of the Community approved by the Obligor, including any revisions thereto, (b) detailed budgets for each phase of development activity, which are to be submitted for the Obligor's approval, (c) assistance in obtaining all necessary governmental approvals required for development of the Community, (d) coordination, preparation and review of all design and construction plans and specifications by the Obligor's architect and other design consultants, (e) development of a resident services program, (f) development and supervision of resident marketing program, (g) assistance in securing financing for the Community, (h) assistance in negotiating and awarding a construction contract for the Community, and thereafter monitoring the progress of construction, (i) preparation of

monthly project cost reports, (j) assistance related to land due diligence and entitlement processing, (k) pre-opening assistance, and (l) provide the Obligor with all information and records to comply with filing and disclosure requirements.

The Development Consulting Agreement calls for the payment of a (i) Base Development Consulting Fee ("*Base Development Consulting Fee*") in an amount based on the percentage of actual project costs expended, which is currently estimated to be \$7,405,890, which estimated amount is subject to adjustment based on actual project costs expended, (ii) Marketing Fee ("*Marketing Fee*") in an amount based on the percentage of actual project costs expended, which is currently estimated to be \$2,244,209, which is also subject to adjustment based on actual project costs expended, and (iii) Incentive Occupancy Fee ("*Incentive Occupancy Fee*") in an amount up to \$800,000 which may be payable based on the specified occupancy level being achieved within certain time frames set forth in the Development Consulting Agreement. The Development Consulting Agreement also calls for the reimbursement of certain expenses incurred by the Development Consultant in connection with the rendering of planning and development services for the Community.

The Base Development Consulting Fee shall be paid in an amount equal to 3.30% of actual Project Costs (as defined in the Development Consulting Agreement) expended. The Base Development Consulting Fee has been, and is estimated to be, paid as follows:

| Date | Amount | Cumulative Base Development Consulting Fee Paid | Cumulative Percent of Base Development Consulting Fee |
|---|---------------|--|--|
| Commencement of Development Services (December 2013) through January 2017 | \$ 1,057,500 | \$ 1,057,500 | 14% |
| Upon Issuance of Series 2017 Bonds | \$ 2,622,425 | \$ 3,679,925 | 50% |
| During 25 Month Period After Issuance of Series 2017 Bonds | \$ 871,970 | \$ 4,551,895 | 62% |
| Upon Obtaining Certificate of Occupancy | \$ 435,985 | \$ 4,987,880 | 68% |
| During the Fill-up Period | \$ 871,970 | \$ 5,859,850 | 80% |
| Upon Retirement of All Temporary Debt | \$ 500,000 | \$ 6,359,850 | 86% |
| Upon Achievement of 85% Occupancy of Independent Living Units | \$ 500,000 | \$ 6,859,850 | 93% |
| Upon Achievement of 90% Occupancy of the Independent Living Units | \$ 500,000 | \$ 7,359,850 | 100% |

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The Marketing Fee will be paid in an amount equal to 1.0% of the actual Project Costs expended, as defined in the Development Consulting Agreement. The Marketing Fee will be paid on a pro rata basis upon achieving the following occupancy levels for the Independent Living Units, Assisted Living Units and Memory Support Units:

| <u>Level of Occupancy</u> | <u>Percentage Paid</u> | <u>Cumulative Marketing Fee Paid (%)</u> | <u>Cumulative Marketing Fees Paid (\$)</u> |
|---------------------------|------------------------|--|--|
| 10% | 11.11% | 11% | \$247,806 |
| 20% | 11.11% | 22% | \$495,613 |
| 30% | 11.11% | 33% | \$743,419 |
| 40% | 11.11% | 44% | \$991,226 |
| 50% | 11.11% | 56% | \$1,239,032 |
| 60% | 11.11% | 67% | \$1,486,838 |
| 70% | 11.11% | 78% | \$1,734,645 |
| 80% | 11.11% | 89% | \$1,982,451 |
| 90% | 11.11% | 100% | \$2,230,257 |

The Incentive Occupancy Fee will be based on the level of occupancy of the new Independent Living Units at the Community. The Incentive Occupancy Fee will be paid as follows, following the issuance of the final Certificate of Occupancy for the final Independent Living Unit in the Community: (i) \$800,000 if 90% occupancy of the Independent Living Units is achieved within 15 months; (ii) \$600,000 if 90% occupancy of the Independent Living Units is achieved within 18 months; (iii) \$400,000 if 90% occupancy of the Independent Living Units is achieved within 21 months; or (iv) \$200,000 if 90% occupancy of the Independent Living Units is achieved within 24 months.

The Development Consulting Agreement includes restrictions on assignment, other than the collateral assignment of the Development Consulting Agreement to the Master Trustee as security for the Series 2017 Bonds. The Development Consulting Agreement includes a provision requiring that disputes be subjected to binding arbitration and is governed by the laws of the State of Texas.

BRS Development Consulting Agreement

The Obligor has entered into a Development Services Agreement (the "*BRS Development Consulting Agreement*") with BRS to provide development consulting services in connection with the development of the Community. Under the BRS Development Consulting Agreement, BRS has the following duties to the extent that they have not already been performed:

- assist, advise and consult on the selection of and provide coordination and supervision of the architect and engineer in connection with the preparation of and any changes to the site plan for the Community and the renderings, drawings and specifications for construction of the Community;
- be cognizant of and advise the Obligor with respect to any and all rules or regulations, city ordinances, including health and fire safety regulations, or any other requirements of law or governmental authorities applicable to the development and construction of the Community and to coordinate the services of professionals in connection therewith;
- assist, coordinate and supervise the obtaining of all necessary building permits and approvals for and in connection with the development and construction of the Community;
- consult, advise and assist in preparing a development and construction budget and pro forma cash flow projects and coordinating professionals in connection therewith;
- cooperate and coordinate with the construction contractors appointed by the Owner;

- otherwise use commercially reasonable best efforts to coordinate, supervise and cause the development and construction of the Community on a timely basis and within the contemplated budget;
- record the progress on all of the foregoing, and, as requested, submit written progress reports to the Obligor; and
- maintain or cause to be maintained at its sole cost and expense all off-site office and accounting facilities and equipment necessary to adequately perform all functions of BRS specified in the BRS Development Consulting Agreement specified herein.

For rendering the services described above, the Obligor will pay BRS a development consulting fee of \$2,431,375 (the "*BRS Development Consulting Fee*"). The BRS Development Consulting Fee will be comprised of three components: (1) 50% will be earned upon delivery of the Series 2017 Bonds; (2) 25% will be earned upon receipt of the certificate of occupancy for the Community; and (3) 25% will be earned upon obtaining Stabilized Occupancy. The unpaid amounts of the earned BRS Development Consulting Fee will constitute Subordinate Debt and will be secured under the Master Indenture. Although earned, the BRS Development Consulting Fee will not be paid until the requirements set forth in the Master Indenture for paying Subordinate Indebtedness to an Affiliate are satisfied. Any unpaid BRS Development Consulting Fees will bear interest at 5% per year. See "**MASTER INDENTURE – Payments of Subordinated Indebtedness to an Affiliate**" in **APPENDIX C**.

OTHER PROFESSIONAL SERVICES

The Construction Manager

The Obligor engaged The Whiting-Turner Contracting Company ("*Whiting-Turner*" or "*The General Contractor*") to provide General Contractor services for the Community. Founded in 1909, Whiting-Turner provides construction management, general contracting, and design-build services in many market segments including continuing care facilities. Whiting-Turner is headquartered in Baltimore and has 31 offices throughout the United States. The company perennially ranks within the top domestic general building contractors as ranked by Engineering News Record and does so through internal growth, not acquisition. Whiting-Turner has 5A-1 Dun & Bradstreet rating, the only top 15 Engineering News Record domestic building constructor with the highest rating, and a bonding capacity of \$4 billion. Whiting-Turner is financially independent and is without debt.

The following is a representative list of the Construction Manager's experience:

| Sponsor | Project | Status | Project Cost |
|---|---|----------------------------------|-----------------|
| Recent Senior Living Experience | | | |
| Edenwald – Towson, MD | Expansion and Renovation | Complete | \$52.0 million |
| Goodwin House – Bailey's Crossroads – Falls, Church, VA | Expansion | Complete | \$91.3 million |
| Ingleside at King Farm – Rockville, MD | Expansion and Renovation | Under Construction | \$94.4 million |
| Ingleside at Rock Creek – Washington, D.C. | Expansion and Repositioning | Under Construction | \$110.0 million |
| MorseLife Geriatrics – West Palm Beach, FL | Expansion | Completed | \$41.0 million |
| Erickson Living – Multiple Projects DC, MD, PA, NJ and TX | Expansion, Repositioning, Renovation, and New Buildings | Under Construction and Completed | \$593 million |
| High-Rise Construction Experience | | | |
| Crescent Stonewall Station – Charlotte, NC | New Building | Under Construction | \$102.4 million |

| Sponsor | Project | Status | Project Cost |
|---|--|--------------------|---------------------|
| The Madison – Alexandria, VA | New Building | Complete | \$70.0 million |
| 455 Eye Street Apartment Tower – Washington, D.C. | Expansion, Renovation, | Under Construction | \$41.5 million |
| Zenith Apartments – Baltimore, MD | New Building | Complete | \$38.5 million |
| Texas Senior Living Experience | | | |
| Westover Hills Memory Care – San Antonio, TX | New Community | Complete | \$8 million |
| Highland Springs – Dallas, TX | New Residential Buildings | Under Construction | \$55 million |
| Eagle's Trace – Houston, TX | New Residential Buildings and Renaissance Garden | Under Construction | \$65.2 million |

The Construction Contract

The Obligor has entered into a guaranteed maximum price construction contract, dated April 13, (the "*Construction Contract*") with the Construction Manager. The sum of the cost of the Work (as defined therein) and the Construction Manager's Fee is guaranteed by the Construction Manager to not exceed \$136,051,064, subject to additions and deductions by change order as provided in the Construction Contract.

The difference as of the date of final payment between (i) aggregate sum of the cost of the Work plus the Construction Manager's Fee and (ii) the Guaranteed Maximum Price upon final completion of the Work will be shared by the Obligor and the Construction Manager as follows: 75% of such savings will inure to the benefit of the Obligor and the remainder 25% will be paid to the Construction Manager as an additional fee. As a condition precedent to any participation in shared savings, the Construction Manager will reconcile costs, including change orders, for the Obligor's review and acceptance upon reasonable request but not less than quarterly unless otherwise agreed by the Obligor's review and acceptance upon reasonable request but not less than quarterly unless otherwise agreed by the Obligor. Should any monies remain in the construction contingency at final completion of the Community, such monies will be allocated 100% to the Obligor.

The Construction Manager is required under the Construction Contract to furnish the Obligor with a performance bond and a labor and materials payment bond, each in the amount of 100% of the guaranteed maximum price under the Construction Contract.

Construction Schedule and Liquidated Damages

The Construction Contract requires the Construction Manager to substantially complete the construction of the Community, as defined by the AIA agreement between Obligor and Construction Manager, within the following number of calendar days from the date of the Notice To Proceed from the Obligor (the "*Substantial Completion Date*");

- Health care levels and IL commons areas 729 calendar days
- Independent Living resident units 762 calendar days

The Notice To Proceed is expected to be given upon delivery of the Series 2017 Bonds and acquisition of the permits by the Obligor. In the event that the Construction Manager fails to obtain substantial completion by the Substantial Completion Date, the Construction Manager will pay liquidated damages of \$47,000 per day (the "*Daily Liquidated Damages Amount*") based on the following schedule:

| | |
|--|---|
| Days 1 through 30 after the Substantial Completion Date | 0% of the Daily Liquidated Damages Amount |
| Days 31 through 60 after the Substantial Completion Date | 33% of the Daily Liquidated Damages Amount |
| Days 61 through 90 after the Substantial Completion Date | 67% of the Daily Liquidated Damages Amount |
| More than 91 days after the Substantial Completion Date | 100% of the Daily Liquidated Damages Amount |

For the purposes of calculating the Daily Liquidated Damages Amount, Substantial Completion, as defined in the agreement between Obligor and Construction Manager, will be deemed to have occurred upon the issuance of certificates of occupancy or temporary certificates of occupancy and when all of the requirements to permit occupancy or apply for licensure have been met. In the event a portion of the Community containing revenue-producing residential units is deemed substantially complete, the applicable daily liquidated damages amount for the phase shall be reduced by a pro-rated amount to account for those areas and units that are substantially complete, according to the following:

| Construction Component | % of Project | Liquidated Damages Per Day of Delay | | |
|-------------------------------------|--------------|-------------------------------------|-----------------|-----------------|
| | | 1 - 30 Days | 31 - 60 Days | >60 Days |
| <i>% of daily debt service</i> | | 33% | 67% | 100% |
| Independent Living Units - Level 4 | 4.0% | \$622 | \$1,250 | \$1,865 |
| Independent Living Units - Level 5 | 4.8% | \$746 | \$1,500 | \$2,238 |
| Independent Living Units - Level 6 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 7 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 8 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 9 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 10 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 11 | 9.5% | \$1,492 | \$2,999 | \$4,476 |
| Independent Living Units - Level 12 | 9.1% | \$1,430 | \$2,874 | \$4,290 |
| Total - Independent Living | 75.0% | \$11,750 | \$23,618 | \$35,250 |
| Assisted Living | 7.0% | \$1,094 | \$2,200 | \$3,283 |
| Memory Support | 4.8% | \$749 | \$1,505 | \$2,246 |
| Skilled Nursing | 13.2% | \$2,074 | \$4,168 | \$6,221 |
| Total - Other Areas | 25.0% | \$3,917 | \$7,873 | \$11,750 |
| Grand Total | 100% | \$15,667 | \$31,490 | \$47,000 |

A portion, area or unit of the building accepted by Owner (the “Proposed Substantially Complete Area”) or (“PSCA”) achieves Substantial Completion when it meets all of the requirements to permit occupancy of the PSCA per local building code authority and to allow the Owner to apply for any necessary licensure(s), including TDADS, with reasonable measures being taken by the Construction Manager to isolate any PSCA from construction activities and when it ensures the right to occupancy of the prospective occupant(s) by suitable noise screening, unrestricted access and egress and availability of parking and customary amenities such as food service and utilities.

The agreement between Obligor and Construction Manager also addresses the TDADS inspections and licensing process. In the event the delay in licensure is attributable solely to the fault of the Construction Manager or persons under Construction Manager’s control, Liquidated Damages shall be applicable for any such delays. In determining the length of any delay, days attributable solely to the inaction of TDADS or causes not solely the responsibility of Construction Manager or persons or entities under Construction manager’s control shall not be counted.

[Remainder of page intentionally left blank]

The Architect

D2 Architecture, LLC ("D2") is an architecture firm in Dallas, Texas that specializes in senior living. Design responsibilities have ranged from master planning to complete design of new communities, renovations and additions to existing facilities. Ongoing and recently completed continuing care retirement community projects of D2 architecture include:

| Sponsor | Project Type | Status | Project Cost |
|--|---|--------------------|--------------------------|
| Legacy at Midtown Park – Dallas, TX | CCRC | In Development | Confidential |
| The Vista at C.C. Young – Dallas, TX | AL, MC and SN | Under Construction | \$84 million |
| Watercrest Port St. Lucie – Port St. Lucie, FL | AL MC | Under Construction | \$20 million |
| Menger Springs – Boerne, TX | IL and AL Expansion on CCRC Campus | Complete | \$31.5 million |
| The Buckingham – Houston, TX | New IL, AL, MC, SN Expansion on CCRC Campus | Under Construction | \$56 million |
| Élan South Park Meadows – Austin, TX | AL MC | Complete | \$16.3 million |
| Élan Westpointe – New Braunfels, TX | AL MC | Complete | \$16.4 million |
| Tradition Lovers Lane – Dallas, TX | AL MC Expansion | Complete | \$21 million |
| Tradition Prestonwood – Dallas, TX | AL MC Expansion | Complete | \$21 million |
| Buckner Calder Wood – Beaumont, TX | IL & SN Expansion and additional renovations on CCRC Campus | Under Construction | \$25.9 million |
| Buckner Villas – Austin, TX | IL and additional renovations on CCRC Campus | Under Construction | \$29.8 million |
| The Claiborne at Shoe Creek – Central, LA | AL MC | In Development | \$15 million (estimated) |
| The Claiborne at West Lake – Augusta, GA | AL MC | In Development | \$16 million (estimated) |
| Tradition Buffalo Speedway – Houston, TX | IL, AL and MC | In Development | Confidential |
| The Stayton – Fort Worth, TX | CCRC | Complete | \$80 million |
| Querencia – Austin, TX | CCRC | Complete | \$65 million |
| Harbor's Edge – Norfolk, VA | CCRC | Complete | \$64 million |
| Sonoma House – Carrollton, TX | AL MC | Complete | Confidential |
| Orchard View – Columbus, GA | SN | Complete | \$20 million |
| Monterey Phase II – Tulsa, OK | IL MC Expansion | Complete | Confidential |
| Elan Santa Monica – Albuquerque, NM | AL MC | Complete | \$16.2 million |

The Owner's Representative

The Belaire Group, LLC (the "*Owner's Representative*") was selected by the Obligor in April 2017 to provide Owner's representation services to the Obligor during the construction of the Community. The Owner's Representative will observe construction progress during the construction period on a weekly basis; will review all documentation produced by the Construction Manager and Obligor's consultants and vendors; and will provide recommendations to the Obligor in an expeditious manner in order to achieve the earliest completion date within the budgets established.

The Construction Consultant

The Construction Consulting firm of zumBrunner, Inc. (the "*Construction Consultant*"), a national construction consulting firm founded in 1989 that specializes in the senior living industry, has been selected and

retained by the Obligor to review construction progress, quality and contractor requisition requests on a monthly basis during the construction period for the Community. In addition, the Construction Consultant has provided the pre-construction consulting services described in the next paragraph.

Prior to construction, the Construction Consultant's responsibilities include conducting a review of the Community's scope, including engineering designs, project budgets, drawings, specifications, permits, construction contracts and fees, holding a meeting with the Obligor, the General Contract, the Owner's Representative and the Architect to verify current site conditions, review outstanding issues and documents, and establish an action list, and issuing a final pre-closing report. In its report, the Construction Consultant will review and comment on, among other things, whether: (i) the design is suitable for the type of project and geographic area; (ii) the geotechnical report was prepared in accordance with industry standards; (iii) the Phase I Environmental Site Assessment was prepared in accordance with industry standards; (iv) required design documents and permits will be achieved as required without interruption of the critical path of the Community; (v) the ALTA/ASCM Land Title Survey of the Project Site indicated that no designated rights-of-way, easements or portions of the Project Site are within a special flood hazard area; (vi) the required utilities will be available to the Project Site and meet the capacity requirements of the Community; (vii) the projected construction schedule for substantial completion is achievable based on the proposed scope of work; and (viii) in view of the project budgets for construction, permits, fees, architectural and engineering, furnishings and contingency, adequate funds will be available to complete construction and obtain the required certificate of occupancy and licenses for operations.

During the construction process, the Construction Consultant will be responsible for: (i) reviewing and certifying all disbursement requests for the payment of expenses incurred by the Obligor for work, labor, materials and equipment furnished in connection with the construction of the Community that are included in the construction contract; (ii) monitoring such items as change orders, budget amendments, updates to the construction schedule, releases of liens, governmental approvals and the final as-built survey; and (iii) reporting to the holders of the Series 2017 Bonds, no less frequently than monthly, the status of the Community including (a) whether the total project account balance (including estimated investment income) is sufficient to pay the expected remaining project costs of completing the Community in accordance with the budget and that there is no project deficit; (b) the current timing of the Community; and (c) the amount of remaining contingency funds.

A representative list of the Construction Consultant's senior living projects includes the following:

| Sponsor | Project | Project Cost |
|--|--|---------------------|
| The Crossings Methodist Retirement Communities League City, TX | 116 Independent Living Units 36 Assisted Living Units 24 Memory Support Units 48 Nursing Beds | \$73 million |
| The Groves at Lincoln Deaconess Abundant Life Communities Winston Salem, NC | 66 Cottages 30 Rental Apartments 100 Congregate Care Units | \$76 million |
| Aberdeen Heights Ashfield Active Living & Wellness Communities Kirkwood, MO | 234 Independent Living Units 3 Guest Apartments 30 Assisted Living Units 15 Memory Support AL Units 38 Skilled Nursing Beds | \$87 million |
| Park Place of Elmhurst Providence Life Services Elmhurst, IL | 173 Independent Living Units 10 Catered Living Units 46 Assisted Living Units 20 Memory Support AL Units 37 Skilled Nursing Beds | \$87 million |

| <u>Sponsor</u> | <u>Project</u> | <u>Project Cost</u> |
|--|---|---------------------|
| Mirador Senior Quality Lifestyles Corporation Corpus Christi, TX | 125 Independent Living Units 44 Assisted Living Units 18 Memory Support AL Units 41 Skilled Nursing Beds | \$70 million |
| 15 Craigsides Place at Nu'uuanu Arcadia Retirement Residence Honolulu, HI | 170 Independent Living Units (also licensed as Assisted Living Units) 41 Skilled Nursing Beds | \$90 million |
| Stayton at Museum Way Senior Quality Lifestyles Corporation Fort Worth, TX | 181 Independent Living Units 7 Catered Living Units 42 Assisted Living Units 20 Memory Support AL Units 46 Skilled Nursing Beds | \$165 million |
| The Overlook Retirement Community C.C. Young Dallas, TX | 106 Independent Living Units | \$51 million |
| Masonic Homes of Kentucky Louisville, KY | 136 Skilled Nursing Beds | \$35 million |
| Mirabella at South Waterfront Pacific Retirement Services Portland, OR | 224 Independent Living Units 16 Residential Living Apartments 21 Memory Support AL Units 20 Skilled Nursing Beds | \$225 million |
| Terraces at Bonita Springs Santa Fe Senior Living, Inc. Bonita Springs, FL | 144 Independent Living Units 49 Assisted Living Units 40 Skilled Nursing Beds 18 Memory Support Units | \$170 million |
| Sinai Residences Jewish Federation of South Palm Beach County Boca Raton, Florida | 237 Independent Living Units 48 Assisted Living Units 60 Skilled Nursing Beds 24 Memory Support Units | \$190 million |

DISBURSEMENT AGREEMENT

Disbursement of the proceeds of the Series 2017 Bonds to construct, install and equip the Community will be made pursuant to a Construction Disbursement and Monitoring Agreement dated as of the issuance of the Series 2017 Bonds (the "*Disbursement Agreement*") among the Obligor, the Construction Consultant, and the Bond Trustee.

Hard Costs. Pursuant to the Disbursement Agreement, the Development Consultant, on behalf of the Obligor, is required to prepare a monthly request for disbursement (the "*Disbursement Request*"), itemized by categories identified in the project budget, together with (a) schedule of values in form and supported by such data to substantiate its accuracy as the Architect and the Obligor may require, (b) a certificate of the General Contractor representing and warranting certain matters in the disbursement form, (c) a certificate of the Architect representing and warranting certain matters in the disbursement form, and (d) a certificate of the Construction Consultant representing and warranting certain matters in the disbursement form and make it available for review by the Construction Consultant at a regularly scheduled monthly meeting. The Construction Consultant is required to review and certify or recommend for amendment the Disbursement Request for work, labor, materials and equipment furnished in connection with the construction of the Community, including all amounts due under the

Construction Contract (collectively, the "*Hard Costs*"), but excluding owner-directed fixtures, furnishings and equipment or other "*Soft Costs*" (as defined below).

With each Disbursement Request, the Obligor will provide, among other things, (a) receipted bills, paid invoices, payroll records or other evidence satisfactory to the Construction Consultant supporting each item included in the Disbursement Request, (b) lien release and waivers from the General Contractor and subcontractors for the work for which funds are requested, satisfactory to the Construction Consultant, and (c) certificates of the Construction Consultant, the General Contractor, the Architect, and the Development Consultant respecting the status of construction, the accuracy and completeness of the Disbursement Request and similar matters. If the Construction Consultant determines at such meeting that the Disbursement Request is complete and certified for payment, it will inform the Obligor and the Development Consultant. The Obligor will, within 10 business days of the monthly project review meeting and receipt of the certified copy from the Architect, distribute a copy of the Disbursement Request.

The Construction Consultant will approve each Disbursement Request for Hard Costs, in connection with which it will determine that Community is meeting the project schedule, budget and quality. Approved Disbursement Requests and accompanying materials will be submitted to the Bond Trustee for disbursement of moneys from the Project Fund under the Bond Indenture.

If the Construction Consultant determines that any Disbursement Request is incomplete or is not certified payment, it will so inform the Obligor and the Bond Trustee and specify the reasons for its determination and the basis upon which such Disbursement Agreement may be determined to be complete and certified for payment. Upon receipt of additional or remedial information reasonably satisfactory to the Construction Consultant, the Construction Consultant will notify the Obligor and it will, within 5 Business Days of its receipt of such additional information, distribute a copy of the Disbursement Request, together with certain certificates and the written report of the Construction Consultant, to the Bond Trustee.

Soft Costs. Pursuant to the Disbursement Agreement, the Obligor will submit a Disbursement Request to the Bond Trustee, for payment of costs and expenditures included in the project budget other than Hard Costs (the "*Soft Costs*"). The Disbursement Request for Soft Costs will include the total amount of Soft Costs included in such request, itemized by the categories identified in the budget for the construction of, together with such receipted bills, bills, paid invoices or other evidence supporting each item of Soft Costs covered by such Disbursement Request and a certificate of the Development Consultant certifying such costs.

Other Provisions. The Disbursement Agreement states that each Disbursement Request is subject to receipt of additional items such as (i) title bring down, (ii) affirmation by the Obligor of certain representations and warranties made in the various legal documents providing for the issuance of the Series 2017 Bonds, (iii) the absence of an Event of Default under the Bond Indenture of Master Indenture and (iv) other items that may be requested by the Construction Consultant. The Disbursement Agreement includes additional conditions for disbursement of retainage such as additional certification by the Architect, evidence of releases of liens, and an affidavit of the General Contractor, among other items.

The Obligor has agreed not to execute, or permit the performance of work or the furnishing of materials pursuant to any amendment or modification to the documents providing for the construction of the Community until such change orders have been supplied to and approved by the Construction Consultant. The Construction Consultant may be removed at any time by a majority of the Holders of the Series 2017 Bonds and a new Construction Consultant may be appointed by a majority of the Holders of the Series 2017 Bonds.

With respect to certain subcontracts (the "*Applicable Contracts*") the Trustee will disburse amounts to the Obligor for invoices for Hard Costs received by the Obligor in advance of work, labor, materials and equipment being completed or provided, provided that the Obligor shall not pay amounts on the Applicable Contracts until such work, labor, materials and equipment is completed or provided to the satisfaction of the Obligor and the Construction Consultant. Any amounts received in advance of work, labor, materials or equipment being completed or provided will be used solely for the payment of amounts due under the Applicable Contracts. The Obligor is required to return any unused amounts received for such payments to the Trustee for deposit in the Construction Fund on the 61st day following receipt thereof.

INSURANCE

Pursuant to the Master Indenture, the Obligor is required to maintain insurance with respect to the Community, the operation thereof and its business against such casualties, contingencies and risks and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and is adequate to protect the Community and operations, with the Master Trustee named as an additional insured on all such policies.

Commencing with the opening of the Community and thereafter, at least once every two fiscal years with respect to commercial insurance and at least once every fiscal year with respect to self-insurance, the Obligor will cause a certificate of an insurance consultant to be delivered to the Master Trustee which indicates that the insurance then being maintained by the Obligor meets the standards in the Master Indenture. With the exception of workers compensation, the Obligor does not currently self-insure.

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APPENDIX B

FINANCIAL FEASIBILITY STUDY

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Buckner Senior Living, Inc.

Financial Feasibility Study

Seven Years Ending December 31, 2023

Buckner Senior Living, Inc.

Financial Feasibility Study

Seven Years Ending December 31, 2023

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INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

Board of Directors
Buckner Senior Living, Inc.
Dallas, Texas

We have prepared a financial feasibility study of the plans of Buckner Senior Living, Inc. (the "Obligor"), to undertake the development of a continuing care retirement community to be known as Ventana by Buckner (the "Community") in Dallas, Texas.

The Community is expected to include 189 independent living units (the "Independent Living Units"), 38 traditional assisted living units, 26 memory support assisted living units, 72 skilled nursing units (collectively defined as the "Health Care Center") and associated common spaces.

Buckner Retirement Services, Inc. ("BRS"), the sole member of the Obligor and Baptist Memorial Ministries ("BMM"), is a Texas nonprofit corporation founded in 1994 to provide care and housing for senior adults in a moral and Christian environment and services to senior adults in their homes. BRS currently owns four retirement communities in the state of Texas which include: Buckner Villas (Austin), Buckner Westminster Place (Longview), Calder Woods (Beaumont) and Parkway Place (Houston), which are part of an obligated group, and, as the sole member of BMM, Baptist Retirement Community, a nonprofit retirement community in San Angelo. BRS is providing certain development services and is to provide management services for the Community. Management of the Obligor and BRS are collectively referred to as "Management".

BRS is a member of a group of affiliated corporations, the parent of which is Buckner International ("BI"), a Texas nonprofit corporation founded in 1906. Buckner Foundation, Inc., (the "Foundation"), another member of the BI affiliated corporations, was formed in 1986 to support and benefit the activities and purposes of BI and its affiliates.

The feasibility study was undertaken to evaluate the Obligor's ability to generate sufficient funds to meet its operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the proposed \$238,380,000 Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Buckner Senior Living – Ventana Project), Series 2017 (the "Series 2017 Bonds").

The Obligor's underwriter, B.C. Ziegler and Company (the "Underwriter"), has provided the assumed structure and terms of the Series 2017 Bonds as follows:

- \$152,235,000 of non-rated tax-exempt fixed rate bonds (the "Series 2017A Bonds"), consisting of term maturities to November 15, 2052, with an assumed average coupon rate of 7.15 percent per annum;
- \$82,750,000 of non-rated fixed rate Tax Exempt Mandatory Paydown Securities (TEMPSSM) (the "Series 2017B Bonds") with an assumed average interest rate of 5.375 percent per annum. The Series 2017B Bonds consist of \$22,250,000 of Series 2017B-1 Bonds (TEMPS-80SM) anticipated to be redeemed in full by August 1, 2021 by entrance fees associated with approximately 80 percent initial occupancy of the Independent Living Units; \$22,250,000 of Series 2017B-2 Bonds (TEMPS-65SM) anticipated to be redeemed in full by November 1, 2020 by entrance fees associated with approximately 65 percent initial occupancy of the Independent Living Units; and \$38,250,000 of Series 2017B-3 Bonds (TEMPS-50SM) anticipated to be redeemed in full by May 1, 2020 by entrance fees associated with approximately 50 percent initial occupancy of the Independent Living Units; and,
- \$3,395,000 of fixed rate Taxable Mandatory Paydown Securities (Taxable MPS) (the "Series 2017C Bonds"), anticipated to be redeemed in full by February 1, 2020 at approximately 24 percent initial occupancy of the Independent Living Units, with an assumed coupon rate of 5.375 percent per annum.

Principal on the Series 2017B and Series 2017C Bonds is anticipated to be repaid from a portion of initial entrance fees assumed to be available from residents moving into the Independent Living Units.

BI, BRS and BMM are not obligated to pay debt service on the Series 2017 Bonds. The Foundation is only obligated with respect to its commitment provided for under a liquidity support agreement.

The proceeds from the sale of the Series 2017 Bonds, initial entrance fees from the Community, operating cash flows of the Community, and interest earnings on trustee-held funds are assumed to be used as follows:

- To pay all costs to acquire, construct and equip the Community, including development, construction, architectural, land and marketing costs;
- To fund debt service reserve funds for the Series 2017 Bonds;
- To fund interest on the Series 2017 Bonds for a period of 31 months; and
- To pay costs associated with the issuance of the Series 2017 Bonds.

Our procedures included analysis of:

- The Obligor’s history, objectives, timing and financing;
- Future demand for the Obligor’s services, including consideration of:
 - Socioeconomic and demographic characteristics of the defined primary market areas (“PMA”) for the Community;
 - Locations, capacities and competitive information pertaining to other existing and planned facilities in the PMA; and
 - Forecasted occupancy and utilization levels.
- Project-related costs, debt service requirements and estimated financing costs;
- Staffing requirements, salaries and wages, related fringe benefits and other operating expenses;
- Anticipated entrance fees, monthly fees and per diem charges for the Community’s residents;
- Sources of other operating and non-operating revenues;
- Revenue/expense/volume relationships; and,
- Depositor files.

The accompanying financial forecast for each of the years in the seven-year period ending December 31, 2023, is based on assumptions that were provided by, or evaluated with and approved by Management. The financial forecast includes the following financial statements and the related summary of significant forecast assumptions and accounting policies:

- Forecasted Statements of Operations and Changes in Net Deficit;
- Forecasted Statements of Cash Flows;
- Forecasted Statements of Financial Position; and
- Forecasted Financial Ratios.

We have examined the financial forecast. Management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (“AICPA”) and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by Management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

Legislation and regulations at all levels of government have affected and may continue to affect the operations of retirement communities. The financial forecast is based upon legislation and regulations currently in effect. If future legislation or regulations related to the Obligor’s operations are subsequently enacted, such legislation or regulations could have a material effect on future operations.

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

The assumed interest rates, principal payments, and other financing assumptions are described in the section entitled “Summary of Significant Forecast Assumptions and Accounting Policies.” If actual interest rates, principal payments or funding requirements are different from those assumed in this feasibility study, the amount of the Series 2017 Bonds and associated debt service requirements will need to be adjusted accordingly from those indicated in the forecast. If such interest rates, principal payments and funding requirements are lower than those assumed, such adjustments will not adversely affect Management’s forecast.

Our conclusions are presented below:

- In our opinion, the accompanying financial forecast is presented in conformity with guidelines for presentation of a financial forecast established by the AICPA.
- In our opinion, the underlying assumptions provide a reasonable basis for Management’s forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.
- The accompanying financial forecast indicates that sufficient funds could be generated to meet the Obligor’s operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the proposed Series 2017 Bonds during the forecast period. However, the achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured.

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

Dixon Hughes Goodman LLP

Atlanta, Georgia
April 13, 2017

Buckner Senior Living, Inc.

Forecasted Statements of Operations and Changes in Net Deficit For the Years Ending December 31, (In Thousands of Dollars)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------------|------------|-------------|-------------|-------------|-------------|-------------|
| Revenue: | | | | | | | |
| Independent living monthly service fees | \$ - | \$ - | \$ 985 | \$ 7,828 | \$ 11,438 | \$ 13,611 | \$ 14,206 |
| Assisted living monthly service fees | - | - | 413 | 3,829 | 4,823 | 4,936 | 4,930 |
| Nursing service fees | - | - | 459 | 5,504 | 8,999 | 9,249 | 9,032 |
| Other revenue | - | - | 112 | 462 | 555 | 604 | 622 |
| Charity care | - | - | (79) | (705) | (1,033) | (1,136) | (1,152) |
| Entrance fee amortization | - | - | 530 | 1,545 | 2,310 | 2,767 | 3,060 |
| Investment income | - | - | 304 | 432 | 313 | 447 | 571 |
| Total revenue | - | - | 2,724 | 18,895 | 27,405 | 30,478 | 31,269 |
| Expenses: | | | | | | | |
| Administrative services | - | - | 625 | 1,327 | 1,407 | 1,449 | 1,492 |
| Activities services | - | - | 185 | 423 | 495 | 509 | 525 |
| Assisted living services | - | - | 240 | 781 | 947 | 1,052 | 1,083 |
| Nursing services | - | - | 1,228 | 3,748 | 4,680 | 5,304 | 5,464 |
| Building and grounds maintenance | - | - | 433 | 930 | 998 | 1,069 | 1,101 |
| Dining services | - | - | 607 | 2,385 | 3,021 | 3,497 | 3,602 |
| Housekeeping and laundry services | - | - | 227 | 539 | 629 | 648 | 667 |
| Transportation services | - | - | 42 | 86 | 88 | 91 | 94 |
| Utilities | - | - | 522 | 1,076 | 1,108 | 1,142 | 1,176 |
| Insurance | - | - | 129 | 265 | 273 | 281 | 290 |
| Marketing services | - | - | 625 | 969 | 989 | 710 | 731 |
| Management fees | - | - | 150 | 881 | 1,291 | 1,420 | 1,439 |
| Interest expense | - | - | 7,160 | 14,320 | 12,123 | 11,615 | 11,438 |
| Depreciation | - | - | 2,596 | 5,239 | 5,276 | 5,303 | 5,322 |
| Amortization of deferred marketing costs | - | - | 155 | 309 | 309 | 309 | 309 |
| Total expenses | - | - | 14,924 | 33,278 | 33,634 | 34,399 | 34,733 |
| Change in net deficit | - | - | (12,200) | (14,383) | (6,229) | (3,921) | (3,464) |
| Net deficit, beginning of year | (1,657) | (1,657) | (1,657) | (13,857) | (28,240) | (34,469) | (38,390) |
| Net deficit, ending of year | \$ (1,657) | \$ (1,657) | \$ (13,857) | \$ (28,240) | \$ (34,469) | \$ (38,390) | \$ (41,854) |

**See Summary of Significant Forecast Assumptions and Accounting Policies
and Independent Accountant's Examination Report**

Buckner Senior Living, Inc.

Forecasted Statements of Cash Flows For the Years Ending December 31, (In Thousands of Dollars)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------------------|----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Cash flows from operating activities: | | | | | | | |
| Change in net deficit | \$ - | \$ - | \$ (12,200) | \$ (14,383) | \$ (6,229) | \$ (3,921) | \$ (3,464) |
| Adjustments to reconcile change in net deficit | | | | | | | |
| to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation | - | - | 2,596 | 5,239 | 5,276 | 5,303 | 5,322 |
| Amortization of deferred marketing costs | - | - | 155 | 309 | 309 | 309 | 309 |
| Amortization of deferred financing costs | - | - | 392 | 781 | 781 | 479 | 183 |
| Amortization of earned entrance fees | - | - | (530) | (1,545) | (2,310) | (2,767) | (3,060) |
| (Decrease) increase in accrued interest | 2,315 | - | (2,053) | (171) | (91) | - | - |
| Deferred management fees - Buckner Retirement Services, Inc. | - | - | 60 | 353 | 516 | 568 | 576 |
| Change in interest payable - Buckner Retirement Services, Inc. | 30 | 61 | 79 | 115 | 161 | 251 | 371 |
| Net change in other current assets and liabilities | (261) | - | 236 | (619) | (474) | (113) | 8 |
| Entrance fees received - attrition (non-refundable) | - | - | 90 | 625 | 1,381 | 1,925 | 2,352 |
| Net cash provided by (used in) operating activities | 2,084 | 61 | (11,175) | (9,296) | (680) | 2,034 | 2,597 |
| Cash flows from investing activities: | | | | | | | |
| Purchase of property and equipment | (45,719) | (82,688) | (35,634) | (1,688) | (1,000) | (500) | - |
| Routine capital additions | - | - | (100) | (150) | (200) | (250) | (300) |
| Interest cost capitalized during construction period, net | (8,209) | (13,628) | (6,060) | - | - | - | - |
| (Increase) decrease in assets limited as to use | (167,712) | 95,691 | 6,269 | 34,448 | 3,361 | (5) | 23,076 |
| (Increase) decrease in assets limited as to use, current | - | - | (34) | (1,375) | 48 | - | (92) |
| Deferred marketing costs | (1,384) | (1,140) | (570) | - | - | - | - |
| Net cash provided by (used in) investing activities | (223,024) | (1,765) | (36,129) | 31,235 | 2,209 | (755) | 22,684 |
| Cash flows from financing activities: | | | | | | | |
| Initial entrance fees received | - | - | 55,252 | 47,532 | 22,167 | 8,270 | - |
| Entrance Fee discounts and incentives | - | - | (1,500) | - | - | - | - |
| Entrance fees received - attrition (refundable) | - | - | 329 | 2,307 | 5,100 | 7,106 | 8,680 |
| Entrance fees refunded | - | - | (219) | (1,558) | (3,127) | (4,366) | (5,133) |
| Decrease in Due to Buckner Retirement Services, Inc. | (454) | - | - | - | - | - | - |
| Deferred development fees - Buckner Retirement Services, Inc. | 1,215 | - | 608 | - | - | 608 | - |
| Issuance of the Series 2017 Bonds | 238,380 | - | - | - | - | - | - |
| Deferred financing costs | (5,447) | - | - | - | - | - | - |
| Principal payments on Series 2017 Bonds | - | - | (2,145) | (65,760) | (18,240) | - | - |
| Proceeds from Bank Loan | 990 | - | - | - | - | - | - |
| Principal payments on Bank Loan | (16,000) | - | - | - | - | - | - |
| (Decrease) increase in resident deposits | 1,900 | 1,704 | (3,706) | (4,616) | (2,135) | (790) | - |
| Net cash provided by (used in) financing activities | 220,584 | 1,704 | 48,619 | (22,095) | 3,765 | 10,828 | 3,547 |
| Net increase (decrease) in cash and cash equivalents | \$ (356) | \$ - | \$ 1,315 | \$ (156) | \$ 5,294 | \$ 12,107 | \$ 28,828 |
| Beginning balance of cash and cash equivalents | 356 | - | - | 1,315 | 1,159 | 6,453 | 18,560 |
| Ending balance of cash and cash equivalents | \$ - | \$ - | \$ 1,315 | \$ 1,159 | \$ 6,453 | \$ 18,560 | \$ 47,388 |

**See Summary of Significant Forecast Assumptions and Accounting Policies
and Independent Accountant's Examination Report**

Buckner Senior Living, Inc.

Forecasted Statements of Financial Position For the Years Ending December 31, (In Thousands of Dollars)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------------|------------|------------|------------|------------|------------|------------|
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 1,315 | \$ 1,159 | \$ 6,453 | \$ 18,560 | \$ 47,388 |
| Bond Fund - Series 2017 Bonds | - | - | 34 | 1,409 | 1,361 | 1,361 | 1,453 |
| Accounts receivable, net | - | - | 162 | 1,448 | 2,122 | 2,334 | 2,366 |
| Prepaid expenses and other assets | - | - | 206 | 551 | 654 | 706 | 726 |
| Inventory | - | - | 14 | 37 | 44 | 47 | 48 |
| Total current assets | - | - | 1,731 | 4,604 | 10,634 | 23,008 | 51,981 |
| Assets limited as to use: | | | | | | | |
| Project Fund | 118,596 | 34,760 | 161 | - | - | - | - |
| Funded Interest Fund | 30,071 | 16,512 | 1,001 | - | - | - | - |
| Debt Service Reserve Fund - Series 2017A Bonds | 12,515 | 12,515 | 12,515 | 12,515 | 12,515 | 12,515 | 12,515 |
| Debt Service Reserve Fund - Series 2017B-1 Bonds | 1,196 | 1,196 | 1,196 | 1,196 | 1,196 | - | - |
| Debt Service Reserve Fund - Series 2017B-2 Bonds | 1,196 | 1,196 | 1,196 | 1,196 | - | - | - |
| Debt Service Reserve Fund - Series 2017B-3 Bonds | 2,056 | 2,056 | 2,056 | 2,056 | - | - | - |
| Debt Service Reserve Fund - Series 2017C Bonds | 182 | 182 | 182 | - | - | - | - |
| Entrance Fee Fund | - | - | 24,134 | 4,379 | 8,306 | 16,576 | - |
| Operating Reserve | - | - | 6,500 | 6,500 | 6,500 | 6,500 | - |
| Working Capital Fund | - | - | 16,913 | 8,180 | 6,279 | - | - |
| Resident deposits | 9,543 | 11,247 | 7,541 | 2,925 | 790 | - | - |
| Total assets limited as to use | 175,355 | 79,664 | 73,395 | 38,947 | 35,586 | 35,591 | 12,515 |
| Property and equipment | 63,848 | 160,164 | 201,958 | 203,796 | 204,996 | 205,746 | 206,046 |
| less accumulated depreciation | - | - | (2,596) | (7,835) | (13,111) | (18,414) | (23,736) |
| Net property and equipment | 63,848 | 160,164 | 199,362 | 195,961 | 191,885 | 187,332 | 182,310 |
| Other assets | | | | | | | |
| Deferred marketing costs, net | 5,176 | 6,316 | 6,731 | 6,422 | 6,113 | 5,804 | 5,495 |
| Total assets | \$ 244,379 | \$ 246,144 | \$ 281,219 | \$ 245,934 | \$ 244,218 | \$ 251,735 | \$ 252,301 |

**See Summary of Significant Forecast Assumptions and Accounting Policies
and Independent Accountant's Examination Report**

Buckner Senior Living, Inc.

Forecasted Statements of Financial Position (continued) For the Years Ending December 31, (In Thousands of Dollars)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Liabilities and Net Deficit | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 412 | \$ 1,102 | \$ 1,309 | \$ 1,411 | \$ 1,452 |
| Accrued expenses | - | - | 206 | 551 | 654 | 706 | 726 |
| Accrued interest | 2,315 | 2,315 | 262 | 91 | - | - | - |
| Current maturities of long-term debt | - | 2,145 | 65,760 | 18,240 | - | - | 735 |
| Resident deposits | 9,543 | 11,247 | 7,541 | 2,925 | 790 | - | - |
| Total current liabilities | 11,858 | 15,707 | 74,181 | 22,909 | 2,753 | 2,117 | 2,913 |
| Series 2017 Bonds, less current maturities | 238,380 | 236,235 | 170,475 | 152,235 | 152,235 | 152,235 | 151,500 |
| Deferred financing costs, net | (5,447) | (5,447) | (5,055) | (4,274) | (3,493) | (3,014) | (2,831) |
| Due to Buckner Retirement Services, Inc. | | | | | | | |
| - Deferred Management Fees | - | - | 60 | 413 | 929 | 1,497 | 2,073 |
| - Deferred Development Fees | 1,215 | 1,215 | 1,823 | 1,823 | 1,823 | 2,431 | 2,431 |
| - Accrued Interest | 30 | 91 | 170 | 285 | 446 | 697 | 1,068 |
| Refundable entrance fees | - | - | 43,340 | 82,559 | 102,469 | 111,901 | 115,449 |
| Deferred revenue from entrance fees, net of amortization | - | - | 10,082 | 18,224 | 21,525 | 22,261 | 21,552 |
| Total liabilities | 246,036 | 247,801 | 295,076 | 274,174 | 278,687 | 290,125 | 294,155 |
| Net deficit | (1,657) | (1,657) | (13,857) | (28,240) | (34,469) | (38,390) | (41,854) |
| Total liabilities and net deficit | \$ 244,379 | \$ 246,144 | \$ 281,219 | \$ 245,934 | \$ 244,218 | \$ 251,735 | \$ 252,301 |

**See Summary of Significant Forecast Assumptions and Accounting Policies
and Independent Accountant's Examination Report**

Buckner Senior Living, Inc.

Forecasted Financial Ratios For the Years Ending December 31, (In Thousands of Dollars, Except for Ratios)

| Long-Term Debt Service Coverage Ratio | | 2023 |
|---|----|-------------|
| Change in net deficit | \$ | (3,464) |
| Deduct: | | |
| Entrance fee amortization | | (3,060) |
| Add: | | |
| Depreciation | | 5,322 |
| Amortization of deferred marketing costs | | 309 |
| Interest expense | | 11,438 |
| Deferred Management Fees ^(a) | | 576 |
| Entrance fees received - attrition (non-refundable) | | 2,352 |
| Entrance fees received - attrition (refundable) | | 8,680 |
| Entrance fees refunded | | (5,133) |
| Income Available for Debt Service | \$ | 17,020 |
| Maximum Annual Debt Service ^(b) | \$ | 12,515 |
| Maximum Annual Debt Service Coverage Ratio | | 1.36x |
| Annual Debt Service | \$ | 10,885 |
| Annual Debt Service Coverage Ratio | | 1.56x |
| Days Cash on Hand | | 2023 |
| Cash and investments | \$ | 47,388 |
| Cash on hand | \$ | 47,388 |
| Total expenses | | 34,733 |
| Less: | | |
| Deferred Management Fees ^(a) | | (576) |
| Depreciation | | (5,322) |
| Amortization of deferred marketing costs | | (309) |
| Amortization of deferred financing costs | | (183) |
| Total expenses less deferred management fees, depreciation and amortization | | 28,343 |
| Daily operating expenses ^(c) | | 78 |
| Days cash on hand | | 608 |
| Cash to Debt Ratio | | 2023 |
| Cash and investments | \$ | 47,388 |
| Debt Service Reserve Fund - Series 2017A Bonds | | 12,515 |
| Funds Available for Debt Service | \$ | 59,903 |
| Long-Term Indebtedness Outstanding | \$ | 151,500 |
| Cash to Debt Ratio | | 0.40x |

(a) Management fees payable to Buckner Retirement Services are to be partially deferred during the forecast period.

(b) The Maximum Annual Debt Service is equal to the greatest debt service requirement in the then current or any future fiscal year, other than the debt service requirements on the Series 2017B and Series 2017C Bonds and excludes the principal and interest payment on the Series 2017A Bonds due November 15, 2052.

(c) Daily operating expenses are equal to total operating expenses less depreciation and amortization divided by 365 days.

**See Summary of Significant Forecast Assumptions and Accounting Policies
and Independent Accountant's Examination Report**

Buckner Senior Living, Inc.

Summary of Significant Forecast Assumptions and Accounting Policies

Basis of Presentation

The accompanying financial forecast presents, to the best knowledge and belief of management of Buckner Senior Living, Inc. (the “Obligor”) and Buckner Retirement Services, Inc. (“BRS”), the Obligor’s forecasted results of activities, cash flows and financial position as of and for each of the seven years ending December 31, 2023. Accordingly, the accompanying financial forecast reflects the judgment of management of the Obligor and BRS (collectively defined as “Management”) as of April 13, 2017, the date of this forecast, based on present circumstances and the expected course of action during the forecast period. The assumptions disclosed herein are those that Management believes are significant to the forecast. Management recognizes that there will usually be differences between the prospective and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Background

Buckner Senior Living, Inc.

The Obligor is a Texas nonprofit corporation established in December 2012 for the purpose of construction, ownership and operation of an entrance fee based senior living community, to be known as Ventana by Buckner (the “Community”) in Dallas, Texas in order to expand its affiliate’s mission of providing quality housing, health care services and other programs to senior citizens. The Obligor received a determination letter from the Internal Revenue Service (the “IRS”) dated November 14, 2014 stating that the Obligor is an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code.

The affairs of the Obligor are managed by a Board of Directors (the “Board”) currently consisting of six directors, who each serve for a term of one year and until a successor has been elected and qualified. As terms expire, members of the Board shall be elected or reelected, as the case may be, by BRS.

Buckner Retirement Services, Inc. and Subsidiaries

BRS is a Texas nonprofit corporation founded in 1994 to provide care and housing for senior adults in a moral and Christian environment and services to senior adults in their homes. BRS is the sole member of the Obligor and Baptist Memorial Ministries (“BMM”). BRS currently owns four retirement communities in the state of Texas which include: Buckner Villas (Austin), Buckner Westminster Place (Longview), Calder Woods (Beaumont) and Parkway Place (Houston), which are part of an obligated group (the “Buckner Obligated Group”), and, as the sole member of BMM, Baptist Retirement Community, a nonprofit retirement community in San Angelo.

Buckner International and Subsidiaries

BRS is a member of a group of affiliated corporations, the parent of which is Buckner International (“BI”), a Texas nonprofit corporation founded in 1906. Buckner Foundation, Inc., (the “Foundation”), another member of the BI affiliated corporations, was formed in 1986 to support and benefit the activities and purposes of BI and its affiliates.

Description of the Community

The Community is to be located on a 3.08-acre site at the southwest corner of Northwest Highway and North Central Expressway in Dallas, Texas. The Community is approximately six miles north of downtown Dallas.

The Community is proposed to consist of the following:

- 189 independent living apartments (the “Independent Living Units”);
- 38 assisted living units (the “Assisted Living Units”) and 26 memory support assisted living units (the “Memory Support Units”);
- 72 skilled nursing beds (the “Skilled Nursing Beds”); and,
- Associated common areas.

The Community’s commons area is planned to include a central lobby; dining areas including a main dining room, private dining room, coffee shop and bistro-style café; a sundries store; chapel; arts and crafts studio; library; salon/spa; bank; lounge areas, a medical clinic; and a fitness and wellness center.

The gross square footage of the Community upon completion is anticipated to approximate 680,000 square feet, including the common areas and structured parking.

The Assisted Living Units, the Memory Support Units and the Skilled Nursing Beds are to be collectively referred to as the “Health Care Center.”

The following table summarizes the type, approximate square footages, monthly fees (“Monthly Fee”) and entrance fees (“Entrance Fee”) for the Independent Living Units:

Table 1
Independent Living Units

| Unit Type | Number of Units | Square Footage | Monthly Fee ⁽¹⁾⁽³⁾ | Entrance Fee: 90% Refundable Plan A ⁽²⁾ | Entrance Fee: 50% Refundable Plan B ⁽⁴⁾ | Entrance Fee: Traditional Plan C ⁽⁴⁾ |
|----------------------------------|-----------------|----------------|-------------------------------|--|--|---|
| <i>One-Bedroom Apartments:</i> | | | | | | |
| Baltic | 7 | 947 | \$3,570 | \$405,500 - \$479,200 | \$324,400 - \$383,400 | \$275,700 - \$325,900 |
| Cobalt | 8 | 947 – 1,196 | \$3,560 | \$474,400 - \$513,800 | \$379,500 - \$411,000 | \$322,600 - \$349,400 |
| Indigo | 9 | 1,008 | \$3,830 | \$534,200 - \$558,000 | \$427,400 - \$446,400 | \$363,300 - \$379,400 |
| Sapphire | 1 | 1,033 | \$4,120 | \$533,800 | \$427,000 | \$363,000 |
| Emerald | 7 | 1,156 | \$4,470 | \$612,700 - \$624,600 | \$490,200 - \$499,700 | \$416,600 - \$424,700 |
| Topaz | 5 | 1,127 | \$4,490 | \$582,400 - \$594,000 | \$465,900 - \$475,200 | \$396,000 - \$403,900 |
| Jade | 9 | 1,183 | \$4,490 | \$616,500 - \$643,900 | \$493,200 - \$515,100 | \$419,200 - \$437,900 |
| Viridian | 8 | 1,173 | \$4,560 | \$621,700 - \$633,800 | \$497,400 - \$507,000 | \$422,800 - \$431,000 |
| Cyan | 7 | 1,443 | \$5,250 | \$767,600 - \$782,300 | \$614,100 - \$625,800 | \$522,000 - \$532,000 |
| <i>Two-Bedroom Apartments:</i> | | | | | | |
| Magenta | 9 | 1,273 | \$4,830 | \$663,500 - \$689,400 | \$530,800 - \$551,500 | \$451,200 - \$468,800 |
| Amaranth | 7 | 1,270 | \$4,900 | \$662,500 - \$675,400 | \$530,000 - \$540,300 | \$450,500 - \$459,300 |
| Cerise | 8 | 1,264 – 1,513 | \$5,040 | \$653,200 - \$685,700 | \$522,600 - \$548,600 | \$444,200 - \$466,300 |
| Fuchsia | 7 | 1,327 | \$5,120 | \$702,800 – 716,500 | \$562,200 - \$573,200 | \$477,900 - \$487,200 |
| Violet | 7 | 1,367 | \$5,330 | \$724,500 - \$738,600 | \$579,600 - \$590,900 | \$492,700 - \$502,200 |
| Concord | 9 | 1,432 | \$5,280 | \$761,400 - \$776,000 | \$609,100 - \$620,800 | \$517,800 - \$527,700 |
| Eminence | 9 | 1,433 | \$5,550 | \$759,500 - \$774,300 | \$607,600 - \$619,400 | \$516,500 - \$526,500 |
| Imperial | 9 | 1,433 | \$5,550 | \$759,500 - \$793,300 | \$607,600 - \$634,600 | \$516,500 - \$539,400 |
| Amethyst | 7 | 1,405 | \$5,600 | \$759,600 - \$774,100 | \$607,700 - \$619,300 | \$516,500 - \$526,400 |
| Garnet | 7 | 1,433 | \$5,710 | \$763,300 - \$778,100 | \$610,600 - \$622,500 | \$519,000 - \$529,100 |
| Ruby | 7 | 1,514 | \$5,830 | \$801,900 - \$817,500 | \$641,500 - \$654,000 | \$545,300 - \$555,900 |
| Crimson | 7 | 1,591 | \$6,100 | \$829,500 - \$866,400 | \$663,600 - \$693,100 | \$564,100 - \$589,200 |
| Lavender | 1 | 1,592 | \$6,340 | \$854,300 | \$683,400 | \$580,900 |
| Wisteria | 9 | 1,593 | \$6,350 | \$861,200 - \$898,800 | \$689,000 - \$719,000 | \$585,600 - \$611,200 |
| Scarlet | 9 | 1,612 | \$6,420 | \$871,500 - \$888,200 | \$697,200 - \$710,600 | \$592,600 - \$604,000 |
| Orchid | 7 | 1,759 | \$6,580 | \$934,800 - \$975,600 | \$747,800 - \$780,500 | \$635,700 - \$663,400 |
| <i>Three-Bedroom Apartments:</i> | | | | | | |
| Amber | 9 | 2,022 | \$7,710 | \$1,074,600 - \$1,121,400 | \$859,700 - \$897,100 | \$730,700 - \$762,600 |
| Total/Weighted Averages | 189 | 1,355 | \$5,276 | \$732,445 | \$585,956 | \$498,063 |

Source: Management

- (1) The Monthly Fees shown for the Independent Living Units are for all Entrance Fee plans in 2019 dollars.
- (2) Entrance Fees shown for the 90% Refundable Plan ("Plan A") reflect an approximate eleven percent Entrance Fee discount from the standard Plan A pricing. In addition, Entrance Fees are 95% refundable for residents who have made an Entrance Fee deposit prior to commencement of construction ("Charter Residents") choosing Plan A.
- (3) Second person Monthly Fees for the Independent Living Units is \$1,300, in 2019 dollars.
- (4) Management also offers a 50% Refundable Plan ("Plan B") and a Traditional Plan ("Plan C"). Entrance Fees under Plan B are approximately 20 percent less than standard Plan A pricing. Entrance Fees for Plan C are approximately 32 percent less than standard Plan A pricing.

See Independent Accountant's Examination Report

The following table summarizes the unit types, approximate square footages and Monthly Fees for the Assisted Living Units and the Memory Support Units, and the daily fees (“Daily Fees”) for the Skilled Nursing Beds:

| Table 2 The Health Care Center Configuration | | | |
|---|------------------------|-----------------------------------|--|
| Health Care Center | Number of Units | Approximate Square Footage | Monthly Fee⁽¹⁾⁽²⁾⁽³⁾ |
| <i>Assisted Living:</i> | | | |
| Studio | 4 | 404 - 407 | \$5,295 |
| One bedroom | 32 | 565 - 827 | \$6,095 |
| Two bedroom | 2 | 893 | \$6,995 |
| Total Assisted Living/weighted average | 38 | 593 | \$6,058 |
| <i>Memory Support Assisted Living:</i> | | | |
| Private | 26 | 300-556 | \$6,995 |
| Total Memory Support/weighted average | 26 | 369 | \$6,995 |
| <i>Nursing:</i> | | | Daily Fee⁽¹⁾⁽⁴⁾ |
| Private bed (Long-term care) | 44 | 294 - 415 | \$350 |
| Semi-private (Long-term care) | 4 | 508 | \$300 |
| Private bed (Short-term rehabilitation) | 24 | 322 | \$475 |
| Total Nursing/weighted average | 72 | 334 | \$389 |

Source: Management

(1) The Monthly Fees and Daily Fees shown reflect anticipated rates effective as of January 1, 2019.

(2) Second person Monthly Fees for the Assisted Living Units is \$1,500, in 2019 dollars.

(3) Three additional levels of care are available in the Assisted Living Units based on the acuity and needs of residents: Level I care is available for no additional charge, Level II care is available for an additional \$750 per month and Level III care is available for an additional \$1,500 per month.

(4) The assumed Medicare daily rate is \$475 (gross of ancillary expenses) in 2019 dollars. Management does not anticipate accepting Medicaid residents.

Timeline

The following table illustrates the anticipated timeline for construction completion and fill-up of the Community.

| Table 3 | |
|--|----------------|
| Development Timeline | |
| Closing on financing | May 2017 |
| Construction commences on the Community | June 2017 |
| Independent Living Units available for occupancy | July 2019 |
| Health Care Center available for occupancy | September 2019 |
| Memory Support Units achieve stabilized occupancy of 93% | April 2021 |
| Assisted Living Units achieve stabilized occupancy of 93% | June 2021 |
| Skilled Nursing Beds achieve stabilized occupancy of 92% | August 2021 |
| Independent Living Units achieve stabilized occupancy of 95% | June 2022 |

Source: Management

Significant Agreements*Buckner Retirement Services, Inc. Development Services Agreement*

The Obligor and BRS entered into a development agreement (the “Buckner Development Agreement”) whereby BRS is to provide services associated with the development of the Community. As compensation for services rendered, the Obligor is to pay a development fee (the “Buckner Development Fee”) equal to approximately \$2,431,000. The Buckner Development Fee is to be earned as follows: (i) 50 percent upon the closing of the Series 2017 Bonds (defined hereinafter); (ii) 25 percent upon Community opening; and, (iii) 25 percent upon achieving Stabilized Occupancy as defined in the master trust indenture (the “Master Trust Indenture”) associated with the Series 2017 Bonds.

Based on provisions in the Buckner Development Agreement and Section 3.09 of the Master Trust Indenture, the Buckner Development Fee is to be deferred and subordinated to the payment of the Series 2017 Bonds until the applicable conditions are met. Buckner Development Fees due but not paid to BRS are to accrue with interest at a rate of 5.0 percent per annum until paid.

For purposes of the forecast, the Buckner Development Fee and related accumulated interest, is assumed to be paid after the forecast period.

Greenbrier Development Consulting Services Agreement

The Obligor and Greenbrier Development, LLC (the “Development Consultant”) entered into a development consulting services agreement December 2, 2013, as amended, (the “Greenbrier Development Agreement”) whereby the Development Consultant is required to provide certain development and consulting services in connection with planning, financing, construction, marketing and opening of the Community.

See Independent Accountant’s Examination Report

The Development Consultant is also to be responsible for the marketing and initial occupancy of the Community until 90 percent occupancy of the Independent Living Units and the Health Care Center is achieved.

As compensation for services rendered pursuant to the Greenbrier Development Agreement, the Development Consultant is to be paid a development consulting fee consisting of a base development consulting fee (“Base Development Fee”), a marketing fee (the “Marketing Fee”) and an incentive occupancy fee (the “Incentive Occupancy Fee”) (collectively referred to as the “Greenbrier Development Consulting Fee”). Based on the project budget as provided by Management and the Development Consultant, the total Development Fees paid would approximate \$9,590,107, which includes a Base Development Fee of \$7,359,850 and a Marketing Fee of \$2,230,257.

The Base Development Fee shall be equal to 3.30 percent of actual project costs and has been and is to be paid as follows: (i) \$30,000 upon commencement of the Greenbrier Development Agreement and monthly thereafter until permanent financing of the community (“Pre-Financing Fees”); (ii) upon the closing of permanent financing, an amount equal to 50 percent of the Base Development Fee, less all Pre-Financing Fees paid to date; (iii) during construction, an amount equal to 20 percent of the Base Development Fee, is paid in equal monthly installments; (iv) after obtaining a final certificate of occupancy a single payment in the amount of approximately 6.0 percent of the Base Development Fee; (v) during the fill-up period, approximately 12 percent of the Base Development Fee is to be paid on the pro-rata increase in net occupancy percentage for the Independent Living Units; (vi) upon retirement of the Series 2017B and Series 2017C Bonds, a payment in the amount of \$500,000; (vii) upon achievement of 85 percent occupancy of the Independent Living Units, a payment in the amount of \$500,000; and (viii) upon achievement of 90 percent occupancy of the Independent Living Units, a payment in the amount of \$500,000.

The Marketing Fee will be paid upon achieving key milestones relating to total occupancy of the Community. The Marketing Fee will be a total of 1.0 percent of actual project costs and will be paid in nine equal installments based on a 10 percent starting level of Community occupancy, with additional percentages paid at every 10 percent increase in Community occupancy up to 90 percent Community occupancy.

The Incentive Occupancy Fee will be paid upon achieving a 90 percent occupancy level for the Independent Living Units with a timeline beginning at certificate of occupancy. The Incentive Occupancy Fee will be paid as follows following the issuance of the Certificate of Occupancy for the Independent Living Units at the Community: (i) \$800,000 if 90 percent occupancy is achieved within 15 months; (ii) \$600,000 if 90 percent occupancy is achieved within 18 months; (iii) \$400,000 if 90 percent occupancy is achieved within 21 months; or (iv) \$200,000 if 90 percent occupancy is achieved within 24 months.

The Development Consulting Fee assumed to be paid to the Development Consultant in association with the development of the Community is summarized in the following table.

Table 4
Anticipated Development Consulting Fees

| | |
|--|--------------------|
| Base Development Fee | |
| Upon commencement of development agreement, prior to the Series 2017 Bond closing | \$1,057,500 |
| Upon closing of the Series 2017 Bonds ⁽¹⁾ | 2,622,425 |
| Pro-rata over construction period | 871,970 |
| Upon obtaining certificate of occupancy | 435,985 |
| Pro-rata over Independent Living Unit fill-up period | 871,970 |
| Upon redemption of the Series 2017B & 2017C Bonds | 500,000 |
| At 85 percent occupancy of the Independent Living Units | 500,000 |
| At 90 percent occupancy of the Independent Living Units | 500,000 |
| Total Base Development Fee | \$7,359,850 |
| Marketing Fee | |
| Nine payments for each 10 percent Community occupancy achieved (\$247,806 / payment) | \$2,230,257 |
| Total Development Consulting Fees⁽²⁾ | \$9,590,107 |

Source: Management and Greenbrier

- (1) Assumes a May 2017 permanent financing.
- (2) In addition to the total Development Consulting Fees, the Incentive Occupancy Fee is based on achieving 90 percent occupancy level within specified timeframes. The Incentive Occupancy Fee would be paid as follows: (i) \$800,000 if 90 percent occupancy is achieved within 15 months; (ii) \$600,000 if 90 percent occupancy is achieved within 18 months; (iii) \$400,000 if 90 percent occupancy is achieved within 21 months; or (iv) \$200,000 if 90 percent occupancy is achieved within 24 months. Based on move-in assumptions, no Incentive Occupancy Fee is forecasted to be paid.

The Obligor is also expected to reimburse the Development Consultant for all reasonable out-of-pocket travel expenses for personnel employed by the Development Consultant, costs of employing the Community's marketing and sales staff; and an overhead fee of \$100,000 for miscellaneous office expenses.

Management Services Agreement

The Obligor and BRS entered into a management services agreement (the “Management Services Agreement”), whereby BRS is required to provide the Obligor with all management services necessary for the day-to-day operations and supervision of the Community, including but not limited to, financial management, purchasing, public relations, recruitment of personnel, and supervision of the day-to-day operations and programs of the Community.

The Management Services Agreement is effective from the date of the Management Services Agreement and remains in effect until superseded by a subsequent agreement and cancellable at the option of the Obligor’s Board.

As compensation for services rendered, BRS is to earn a monthly management fee (the “Management Fee”) equal to the greater of (a) \$25,000 per month or (b) 5.0 percent of all gross billings of the Community, including all monthly service fees and other resident/patient charges, but excluding entrance fee amortization, investment income, gifts, grants and bequests, or bad debts (“Gross Revenue”). The Management Fee is to be broken out into two components as follows: (a) the current management fee (the “Current Management Fee”), calculated as the greater of the 3.0 percent of Gross Revenue or \$15,000 per month and (b) the deferred management fee (the “Deferred Management Fee”), calculated as the greater of 2.0 percent of Gross Revenue or \$10,000 per month.

At the conclusion of each fiscal year, the Deferred Management Fee is to be paid to BRS within 45 days following the last day of the fiscal year if applicable requirements described in Section 3.10 of the Master Trust Indenture are achieved. Deferred Management Fees due but not paid to BRS are to accrue with interest at a rate of 5.0 percent per annum until paid.

For purposes of the forecast, Deferred Management Fees are deferred annually and are assumed to be paid after the forecast period, along with accumulated interest.

Liquidity Support Agreement

The Foundation, the Obligor, and UMB Bank (the “Trustee”) will enter into a liquidity support agreement (the “Liquidity Support Agreement”), expected to be executed upon closing of the Series 2017 Bonds, to provide liquidity support to the Obligor. Under the Liquidity Support Agreement, the Foundation will agree to provide liquidity support for the Obligor in an amount not to exceed \$10,000,000.

The Liquidity Support Agreement will also contain provisions which reduce the obligation once certain conditions and covenants have been met by the Obligor for a specified time period. For purposes of the forecast, Management has not forecasted draws on the Liquidity Support Agreement.

Summary of Financing***Pre-Finance Loan***

Pre-finance development capital costs and expenses, including the cost of the Community site, is assumed to approximate \$16,545,000. These costs have been and are anticipated to continue to be funded until permanent financing occurs through a bank loan (the “Bank Loan”), up to \$16,000,000, and a contribution from BRS of approximately \$545,000.

Permanent Financing

Management plans to repay the Bank Loan and fund Community construction and related project costs primarily through the issuance of \$238,380,000 Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Buckner Senior Living – Ventana Project), Series 2017 (the “Series 2017 Bonds”). The Obligor is to be solely responsible for the payment of debt service on the Series 2017 Bonds.

Management has assumed the following sources and uses of funds in preparing its financial forecast based on information provided by the Obligor's underwriter, B.C. Ziegler and Company (the "Underwriter"):

| Table 5 | |
|--|-------------------|
| Sources and Uses of Funds | |
| (In Thousands) | |
| Sources of Funds: | Total |
| Series 2017 Bonds ⁽¹⁾ | \$ 238,380 |
| Initial Entrance Fees ⁽²⁾ | 30,500 |
| Deferred Buckner Development Fees ⁽³⁾ | 2,431 |
| Cash flow from operations ⁽⁴⁾ | 1,500 |
| Interest earnings on trustee held funds ⁽⁵⁾ | 4,137 |
| Total Sources of Funds | \$ 276,948 |
| Uses of Funds: | |
| Project Costs: | |
| Land ⁽⁶⁾ | \$ 5,526 |
| Total direct construction costs ⁽⁷⁾ | 143,026 |
| Owner contingency ⁽⁸⁾ | 5,356 |
| Design and engineering costs ⁽⁹⁾ | 4,989 |
| Greenbrier Development Consulting Fees ⁽¹⁰⁾ | 9,590 |
| Buckner Development Fees ⁽¹¹⁾ | 2,431 |
| Indirect construction costs ⁽¹²⁾ | 5,625 |
| Marketing costs ⁽¹³⁾ | 6,886 |
| Interest on the Bank Loan ⁽¹⁴⁾ | 918 |
| Miscellaneous costs ⁽¹⁵⁾ | 1,966 |
| Total Project Related Costs | \$ 186,313 |
| Funded Interest ⁽¹⁶⁾ | 40,068 |
| Debt Service Reserve Funds ⁽¹⁷⁾ | 17,145 |
| Working Capital Fund ⁽¹⁸⁾ | 21,475 |
| Operating Reserve Fund ⁽¹⁹⁾ | 6,500 |
| Cost of issuance and other costs ⁽²⁰⁾ | 5,447 |
| Total Estimated Financing and Other Costs | \$ 90,635 |
| Total Uses of Funds | \$ 276,948 |

Sources: Management, the Development Consultant and the Underwriter

Notes on the Table

- (1) According to the Underwriter, the following series of bonds are assumed to be issued:
 - \$152,235,000 of non-rated tax-exempt fixed rate bonds (the “Series 2017A Bonds”);
 - \$82,750,000 of non-rated fixed rate Tax Exempt Mandatory Paydown Securities (TEMPSSM) (the “Series 2017B Bonds”); and
 - \$3,395,000 of non-rated fixed rate Taxable Mandatory Paydown Securities (Taxable MPS) (the “Series 2017C Bonds”).
- (2) Management assumes that approximately \$30,500,000 of initial Entrance Fees (as defined in the Master Indenture) are to be used to fund start-up losses, development fees, working capital and operating reserves.
- (3) Under the terms of the Buckner Development Agreement, \$2,341,000 of Buckner Development Fees are to be deferred during the forecast period.
- (4) \$1,500,000 of cash from operations will fund a portion of the Greenbrier Development Consulting Fees.
- (5) Interest in the amount of \$4,137,000 is estimated to be earned on the Project Fund at 1.55 percent, Funded Interest Fund at 1.55 percent, the Series 2017A Bond Debt Service Reserve Fund at 1.55 percent, the Series 2017B-1 Bond Debt Service Reserve Fund at 2.1, the Series 2017B-2 Bond Debt Service Reserve Fund at 2.0 percent, the Series 2017B-3 Bond Debt Service Reserve Fund at 1.85 percent and the Series 2017C Bond Debt Service Reserve Funds at 1.55 percent annually, based upon information provided by Ziegler Capital Management, LLC (“Ziegler Capital Management”).
- (6) Land costs, including the purchase price of the land, engineering and surveys, legal, title and closing, and zoning and permits approximate \$5,526,000.
- (7) Direct construction costs related to the construction of the Community are approximately \$143,026,000. This includes a guaranteed maximum price contract with The Whiting-Turner Contracting Company of approximately \$136,051,000 (which includes a contractor’s contingency of approximately \$2 million); owner-controlled construction budgets of approximately \$2,880,000; and an owner’s construction contingency of approximately \$4,095,000.
- (8) Management has included a project contingency of \$5,356,000 as part of the overall Community related costs.
- (9) Design and engineering costs are assumed to approximate \$4,989,000 and include costs associated with the design & engineering consultants per contractual agreements with the civil engineer, architect (which includes numerous sub-consultants), interior designer, and low voltage systems consultant.
- (10) Development Consulting Fees payable to the Development Consultant total \$9,590,000, with \$2,525,000 being funded through initial Entrance Fees, \$5,565,000 funded through Series 2017 Bond proceeds and \$1,500,000 funded through operations, based on the Development Consulting Services Agreement.
- (11) Buckner Development Fees of \$2,431,000, payable based on the provisions of the Buckner Development Agreement, are to be deferred.
- (12) Estimated indirect construction related costs for the Community are assumed to approximate \$5,625,000.
- (13) Marketing costs related to the Community are estimated to approximate \$6,886,000 and include direct marketing and advertising costs, marketing staff salaries and benefits and other promotion materials.
- (14) Interest associated with the Bank Loan approximates \$918,000.
- (15) Miscellaneous costs include expenses related to administrative, audit and planning fees, property taxes, legal insurance and other pre-opening expenses and approximate \$1,966,000.
- (16) The Underwriter has estimated \$40,068,000 of the Series 2017 Bonds, including investment earnings, to be used to fund capitalized interest on the Series 2017 Bonds for approximately 31 months from the date of issuance of the Series 2017 Bonds.
- (17) Deposits to the Debt Service Reserve Funds for the Series 2017 Bonds are assumed to approximate \$17,145,000.
- (18) Subsequent to the issuance of the Series 2017 Bonds and after construction completion of the Community, initial Entrance Fees of \$21,475,000 are assumed to be deposited into the Working Capital Fund.
- (19) Subsequent to the issuance of the Series 2017 Bonds and after construction completion of the Community, initial Entrance Fees of \$6,500,000 are assumed to be deposited into the Operating Reserve Fund (prior to any replenishment).
- (20) Costs of issuance related to the Series 2017 Bonds are assumed to approximate \$5,447,000 and include the Underwriter’s discount, title insurance, accounting fees, legal fees, feasibility consulting fees, bond issuance fees, the cost for the printing of the preliminary official statement and official statement, and other miscellaneous financing costs.

Reservation Agreement and Residency Agreement

To be accepted for admission to the Independent Living Units, a prospective resident must be at least 62 years of age at the time residency is established and exhibit an ability to live independently and meet their financial obligations as residents of the selected Independent Living Unit.

Reservation Agreement

To reserve an Independent Living Unit, a prospective resident is required to execute a reservation agreement (the “Reservation Agreement”), provide a self-disclosure of his or her health and finances and place a deposit equal to 10 percent of the Entrance Fee (the “Entrance Fee Deposit”) on the selected Independent Living Unit (the “Depositor”). The remaining 90 percent of the Entrance Fee is due on or before the occupancy date (the “Occupancy Date”) of the Independent Living Unit. The Reservation Agreement reserves the right of the prospective resident to choose the selected Independent Living Unit and indicate his or her intent to execute a residency agreement (the “Residency Agreement”).

Residency Agreement

The residency agreement (“Residency Agreement”) is a contract under which the Obligor is obligated, upon payment by the resident of an Entrance Fee and ongoing payments of the Monthly Fee to the Community, to provide certain services for life to the resident. Under the Residency Agreement, payment of the Entrance Fee and Monthly Fee entitles all residents of the Independent Living Units (“Residents”) to receive the following services and amenities:

- A dining credit of \$400 per resident;
- Weekly housekeeping and flat linen laundry service;
- Utilities including electricity, sewer, water, waste disposal, heat, air-conditioning, Wi-Fi and basic cable;
- Security and 24-hour emergency call systems;
- Maintenance of both the unit and the grounds and equipment;
- U.S. mailbox;
- Scheduled local transportation;
- Wellness, social, recreational, educational and cultural programs;
- Paid property taxes and property and casualty insurance on the building and grounds;
- One parking space for each Independent Living Unit;
- Use of the community areas; and
- Priority access and services in the Health Care Center.

Additional services are available to Residents for an extra charge including, but are not limited to: additional Resident meals, guest meals, catering for special occasions, salon services, room service additional parking and additional transportation.

Health Care Benefit

Under the Residency Agreement, the Obligor provides Residents care in the Health Care Center. In the case of single occupancy, Residents permanently transferring to the Health Care Center are charged the current Monthly Fee for the Fuchsia style two-bedroom apartment (\$5,120 in 2019

dollars) and ancillary charges (the “Life Care Monthly Fee”). In the case of double occupancy, should both Residents transfer to the Health Care Center, the cost is to be equal to the Life Care Monthly Fee plus the then current second person Monthly Fee and the cost of ancillary charges.

Residents requiring temporary care in the Health Care Center continue to pay the current Monthly Fee for their Independent Living Unit in addition to the applicable monthly or per diem rate in the Health Care Center.

Persons who have not paid an Entrance Fee may be admitted to the Health Care Center (“Direct Admit Residents”) if beds are available in excess of those needed to satisfy the needs of Residents. Residents requiring care in the Health Care Center will have priority access to the Health Care Center over Direct Admit Residents. Direct Admit Residents are to pay the then-current monthly or daily fee for care.

Residents are expected to obtain and maintain Medicare Parts A and B and one supplemental health insurance policy (or an equivalent substitute policy approved by the Obligor).

Entrance Fee Refundability

Three Entrance Fee refund options are available (the “Refund Options”). The Refund Options and related amortization schedules are as follows:

| Refund Options | Amortization Schedule |
|---|--|
| Plan A – 90% Refund Plan ⁽¹⁾ | Upon termination of the Residency Agreement, 90 percent of the total Entrance Fee paid is to be refunded. |
| Plan B – 50% Refund Plan | The refund of the Entrance Fee is reduced 10 percent upon the Occupancy Date. The remaining refundable portion of the Entrance Fee amortizes 1.67 percent per month for 24 months from the Occupancy Date. After 24 months, the Entrance Fee is 50 percent refundable. |
| Plan C – Traditional Amortizing Plan | The refund of the Entrance Fee is reduced 10 percent upon the Occupancy Date. The remaining refundable portion of the Entrance Fee amortizes 2.5 percent per month for 36 months from the Occupancy Date. After 36 months, the Entrance Fee is no longer refundable. |

Source: Management

- (1) The Entrance Fee for Charter and Construction Residents on Plan A (the “Entrance Fee Deposit”) is to be 95 percent refundable.
- (2) As of April 11, 2017, 89 Depositors have chosen Plan A, 15 Depositors have chosen Plan B and 25 Depositors have chosen Plan C.

Termination by the Resident Prior to Occupancy Date

Depositors can terminate the Reservation Agreement at any time prior to occupancy by giving written notice to Obligor and receive a refund of the Entrance Fee Deposit with interest. The Community will issue the refund to the Depositor within 30 days of receiving a written termination letter.

Termination by the Resident after Occupancy Date

After the Occupancy Date the Resident may terminate the Residency Agreement by providing written notification of at least 60 days. Upon termination, the Entrance Fee is to be refunded to the Resident (without interest and less applicable fees) upon the receipt of sufficient proceeds to fully fund the refund obligation from the re-sale and occupancy of any Independent Living Unit.

Charter Benefit Program

The Obligor has offered a Charter Benefit Program (the “Charter Benefit Program”) to initial prospective residents for the Independent Living Units (the “Charter Residents”). As of April 11, 2017, there were 129 Charter Residents. Management intends to offer the Charter Benefit Program to Depositors until construction on the Community commences. For purposes of Management’s projection, Management has assumed that 55 percent of first generation residents would utilize the Charter Benefit Program.

The benefits of the Charter Benefit Program include:

- A 95 percent refundable Entrance Fee (for Plan A only);
- A nine percent reduction in the Entrance Fee amount from standard pricing;
- Two months of complimentary Monthly Fees upon the date the independent living apartment (the “Residence”) is available for occupancy;
- Moving allowance of \$2,500;
- Interest earnings equal to a 0.25% higher interest rate than the amount earned on the Entrance Fee Deposit in the escrow account. If the Depositor cancels prior to the Occupancy Date, the interest earned on the escrow account at the escrow rate is to be paid to the Depositor;
- Guaranteed admission to the Community regardless of changes in health between the date of the Reservation Agreement approval and Occupancy Date as long as the appropriate level of care is available;
- A lifetime \$100 per month discount on the second person fee (if applicable); and
- Opportunity to personalize the Residence.

All Charter Benefits are to expire if the Resident does not move into the Community within two months from the date the Residence is available for occupancy.

Upon start of construction of the Community, Management intends to implement Entrance Fee price increases of approximately 9.3 percent over currently marketed rates for new Depositors through construction completion, estimated as July 2019 (“Construction Pricing”). Upon the Community opening, Management intends to implement an additional increase of Entrance Fees, of approximately 1.35 percent, for new Depositors and attrition Residents (“Standard Pricing”).

Management assumes 55 percent of initial Residents are to pay the Entrance Fee associated with the Charter Benefit Program, 20 percent of initial Residents are to pay the Entrance Fee associated with Construction Pricing and 25 percent of initial Residents are to pay the Entrance Fee associated with Standard Pricing.

The table below presents the Entrance Fee ranges for Charter Pricing, Construction Pricing and Standard Pricing by plan type.

Table 6
Entrance Fee Pricing

| Unit Type | # of Units | Charter Pricing | Construction Pricing | Standard Pricing |
|--|------------|-------------------------|-----------------------|-----------------------|
| <u>Plan A (90% Refundable Entrance Fee)⁽¹⁾</u> | | | | |
| One-Bedroom | 61 | \$405,500 - 782,300 | \$436,900 - 853,900 | \$445,900 – 862,900 |
| Two-Bedroom | 119 | \$662,500 - 975,600 | \$723,900 - 1,064,900 | \$730,900 - 1,076,900 |
| Three-Bedroom | 9 | \$1,074,600 - 1,121,400 | 1,226,900 -1,280,900 | 1,260,900 – 1,315,900 |
| Total/Weighted Averages | 189 | \$732,445 | \$800,412 | \$811,205 |
| <u>Plan B (50% Refundable Entrance Fee)</u> | | | | |
| One-Bedroom | 61 | \$324,400 – 625,800 | \$349,500 - 683,100 | \$356,700 – 690,300 |
| Two-Bedroom | 119 | \$530,000 - 780,500 | \$579,100 - 851,900 | \$584,700 - 861,500 |
| Three-Bedroom | 9 | \$859,700 – 897,100 | \$981,500 - 1,024,700 | 1,008,700 – 1,052,700 |
| Total/Weighted Averages | 189 | \$585,956 | \$640,329 | \$648,964 |
| <u>Plan C (Non-Refundable Entrance Fee)</u> | | | | |
| One-Bedroom | 61 | \$275,700 – 532,000 | \$297,000 – 580,600 | \$303,200 – 586,700 |
| Two-Bedroom | 119 | \$450,500 - 663,400 | \$492,200 - 724,100 | \$497,000 - 732,200 |
| Three-Bedroom | 9 | \$730,700 – 762,600 | 834,200 – 871,000 | 857,400 – 894,800 |
| Total/Weighted Averages | 189 | \$498,063 | \$544,280 | \$551,619 |

Source: Management and Greenbrier

(1) The Entrance Fees for Plan A are to be 95 percent refundable for the Charter Benefit Plan and Construction Pricing.

The following table summarizes Management's assumption for the number of Depositors on Plan A, Plan B, and Plan C for purposes of this forecast. The table also summarizes the number of Depositors who have chosen each plan as of April 11, 2017, based on Depositor information provided by Management.

Table 7
Number of Depositors on Initial Plans

| Plan Type | Depositor Selections ⁽¹⁾ | | Management's Forecast Assumption | |
|---|-------------------------------------|---------------|----------------------------------|---------------|
| | Number | % of Total | Number | % of Total |
| <i>Entrance Fee Plan Type</i> | | | | |
| Plan A – 90% Refund Plan ⁽²⁾ | 89 | 69.0% | 143.1 | 79.7% |
| Plan B – 50% Refund Plan | 15 | 11.6% | 9.7 | 5.4% |
| Plan C – Non-Refundable Plan | 25 | 19.4% | 26.8 | 14.9% |
| Total | 129 | 100.0% | 179.6 | 100.0% |

Source: Management

- (1) Depositor information as of April 11, 2017. Two Depositors have reserved two Independent Living Units for a total of 131 units reserved.
- (2) The Entrance Fees for Plan A are to be 95 percent refundable for the Charter Benefit Plan and Construction Pricing.

Combination Apartments

According to Management, two Depositors have each reserved two Independent Living Units (a "Combination Apartment"). The Combination Apartments were created by combining a Jade one-bedroom and Magenta two-bedroom Independent Living Unit and a Concord two-bedroom and Amber three-bedroom Independent Living Unit. Upon vacancy, the Combination Apartments could be separated and remarketed as their original floor plans. The Entrance Fee and Monthly Fee for the Combination Apartments is equal to the Entrance Fee and Monthly fee for the Fuchsia Independent Living Unit.

Services Provided for the Assisted Living Units

Residents of the Assisted Living Units are to receive three meals per day; weekly housekeeping and flat linen laundry service; minimal to moderate supervision and stand by assistance in bathing and/or grooming as needed; independent transfer and mobility status with or without the use of an assistive device for long or short distances; medication administration; scheduled weekday transportation to doctor appointments; scheduled life enhancing activities; 24-hour staff available as well as emergency response system; and all utilities except telephone.

The Resident is required to pay any additional charges for services that are not covered in the applicable base fees, including but not limited to, private duty aides, physicians and nurses, medications and services the Community is not licensed to provide at the Community.

Services Provided for the Memory Support Units

Pursuant to the “Assisted Living Residence and Service Agreement”, Residents of the Memory Support Units receive a secured community; three meals per day; weekly housekeeping and flat linen laundry service; personal laundry; medication administration and monitoring; scheduled weekday transportation to doctor appointments; scheduled life enhancing activities; stand by assistance in bathing, dressing and toileting activities; assistance with meals; one person assistance with transfers; 24-hour staff available as well as emergency response system; and all utilities except cable and telephone; and hands-on assistance and cueing to initiate and maintain ambulation among other services.

The Resident is required to pay any additional charges for services that are not covered in the applicable base fees, including but not limited to, private duty aides, physicians and nurses, medications and services the Community is not licensed to provide at the Community.

Services Provided for the Skilled Nursing Beds

Residents of the Skilled Nursing Beds are to receive basic room and board, general nursing care, social services, dietary services and activities as required by Texas law. In addition, the Daily Fee includes three meals per day; daily housekeeping; flat linen and personal laundry service; all utilities (except for telephone); basic cable; emergency call system; social and recreational activities; and, scheduled transportation to doctor and dentist appointments.

Characteristics of the Market Area

Assumptions for the future utilization of the Community were developed by Management based on analysis of the following factors that may affect the demand for the Community's accommodations and services:

- Site description and general area analysis;
- Defined primary market areas for the Community;
- Demographic and socioeconomic characteristics of the defined primary market areas;
- Estimated age- and income-qualified households within the defined primary market areas;
- Description and utilization of existing and proposed comparable retirement communities within the defined primary market areas;
- Management's ability to market the Independent Living Units and Health Care Center; and
- Penetration rates for independent living and assisted living (including memory support) services.

Each of the above factors and the resulting assumed utilization of the Community are described in the following sections.

Site Description

The Community is to be located on approximately three acres at the southwest corner of the Northwest Highway and North Central Expressway in Dallas, Dallas County, Texas. The Community is bordered to the north by Northwest Highway, to the south by the Hyatt House/Lincoln Park hotel, to the east by North Central Expressway and to the west by Lincoln Park Drive. The Community is approximately six miles north of downtown Dallas.

General Area Analysis

Highways

The entrance to the Community is to be located on Lincoln Park Drive, which runs parallel to and provides access to Northwest Highway/U.S. Highway 75. U.S. Highway 75 provides access to Interstate 635W, approximately five miles north of the Community, which encircles the north Dallas area. Other interstates that run through the Dallas area include Interstate 35E, which connects to Interstate 35 and runs north to Oklahoma City, Oklahoma, Interstate 30, which runs northeast to Little Rock, Arkansas, Interstate 20, which runs west to Fort Worth, Texas and east to Shreveport, Louisiana, and Interstate 45, which runs south to Houston, Texas.

Public Transportation

Dallas Area Rapid Transit ("DART") is the public transportation provider for the Dallas metropolitan area. DART currently operates the public bus and light rail system. The Park Lane Station on the Red and Orange Line rail system is approximately one mile northeast of the Community and provides access to downtown Dallas as well as connections to any of the existing rail lines. The NorthPark Center Shuttle (Route 702) bus route connects The Park Lane Station to the NorthPark Center, less one mile north of the Community.

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Airports

Dallas-Fort Worth International Airport (“DFW”) is located approximately 20 miles west of the Community. In 2016, DFW served over 65 million passengers to 207 destinations, including 56 international and 159 domestic destinations within the U.S through over 20 major airlines. DFW is the largest hub for American Airlines, which is headquartered near the airport. With approximately 900 daily flights, American Airlines at DFW is the second largest airline hub in the world and the United States, only behind Delta’s Atlanta hub.

Dallas Love Field (“DAL”) is a city-owned public airport six miles northwest of downtown Dallas and six miles southwest of the Project. The corporate headquarters for Southwest Airlines is located at Love Field. DAL is also served by Virgin America, United Airlines, Seaport Airlines and Delta Airlines.

Hospitals

The following table provides the hospitals and medical centers servicing the Community and surrounding areas.

| Table 8 | | | | |
|---|-----------------|---|-----------------------|---------------------------|
| Hospitals and Medical Centers near the Community | | | | |
| Hospital Name | Location | Driving Miles from the Community | Type | Number of Beds |
| Texas Institute for Surgery | Dallas – 75231 | 1.9 | Short Term Acute Care | 9 |
| Texas Health Presbyterian Hospital of Dallas | Dallas – 75231 | 2.1 | Short Term Acute Care | 633 |
| Walnut Hill Medical Center | Dallas – 75231 | 2.2 | Short Term Acute Care | 100 |
| Kindred Hospital Dallas Central | Dallas – 75231 | 2.3 | Long Term | 60 |
| North Central Surgical Center | Dallas – 75231 | 2.1 | Short Term Acute Care | 24 |
| Medical City Hospital | Dallas – 75230 | 3.9 | Short Term Acute Care | 649 |
| HealthSouth Rehabilitation Hospital of Dallas | Dallas – 75230 | 4.1 | Rehabilitation | 60 |

Source: American Hospital Directory, March 2017

Shopping/Cultural

The area surrounding the Community offers shopping, dining and cultural opportunities. NorthPark Mall is an indoor shopping mall is less than one-fourth of a mile north of the Community and features over 230 retail stores and 30 dining options. The Shops at Park Lane, less than one mile north of the Community, is a 550,000 square foot outdoor shopping area which offers over 20 retail stores including Nordstrom Rack, Saks Fifth Avenue Off Fifth, Bloomingdale’s Outlet Store, Old Navy and HomeGoods as well as restaurants, grocery stores, office space and residences. According to the Urban Land Institute, Highland Park Village, an outdoor shopping mall located approximately four miles north of the Community, is the first planned shopping center in the United States. The shopping mall features approximately 150 retail stores and restaurant options as well as the Village Theatre movie theater.

See Independent Accountant’s Examination Report

Dallas Arts District, approximately six miles southwest of the Community, is a performing and visual arts district in downtown Dallas that offers museums including the Dallas Museum of Art, the Perot Museum of Nature and Science, Nasher Sculpture Center, the Crow Collection of Asian Art and performing arts centers including the Wyly Theatre, Dallas Theater Center, Winspear Opera House, Dallas Symphony Orchestra among others. The George W. Bush Presidential Library and Museum is located approximately two miles from the Community on the Southern Methodist University ("SMU") campus. The Dallas Arboretum and Botanical Gardens, approximately seven miles southeast of the Community, offers 66 acres of botanical gardens and fountains.

Tenison Park Golf Course consists of two 18-hole public golf courses and is located approximately eight miles south of the Community. White Rock Lake, approximately six miles east of the Community has a bike/hike trail that encircles the lake for up to 11 miles of hiking. White Rock Lake Park also has wildflower areas, picnic areas and boat launches.

Dallas is also home to nearly 40 colleges and universities including SMU, which is located approximately two miles southwest of the Community. SMU has approximately 11,000 students and offers undergraduate, graduate and professional degrees through seven different schools.

Primary Market Area of the Community

The primary market area for providers of senior living services is typically defined as the geographic area from which a majority of prospective residents reside prior to assuming occupancy at the senior living community. As of April 11, 2017, 131 Independent Living Units have been reserved by 129 Depositors, representing approximately 69 percent of 189 available Independent Living Units at the Community.

Based on the zip code origin of Depositors, discussions with existing senior living providers in the area and experience with similar communities, the primary market area for independent living has been defined to be a 12 zip code area surrounding the Community, spanning approximately 15 miles from north to south, and eight miles from east to west at the widest points (the “IL PMA”). The following table lists the 12 zip codes comprising the IL PMA.

Table 9
Independent Living Depositor Origin Data

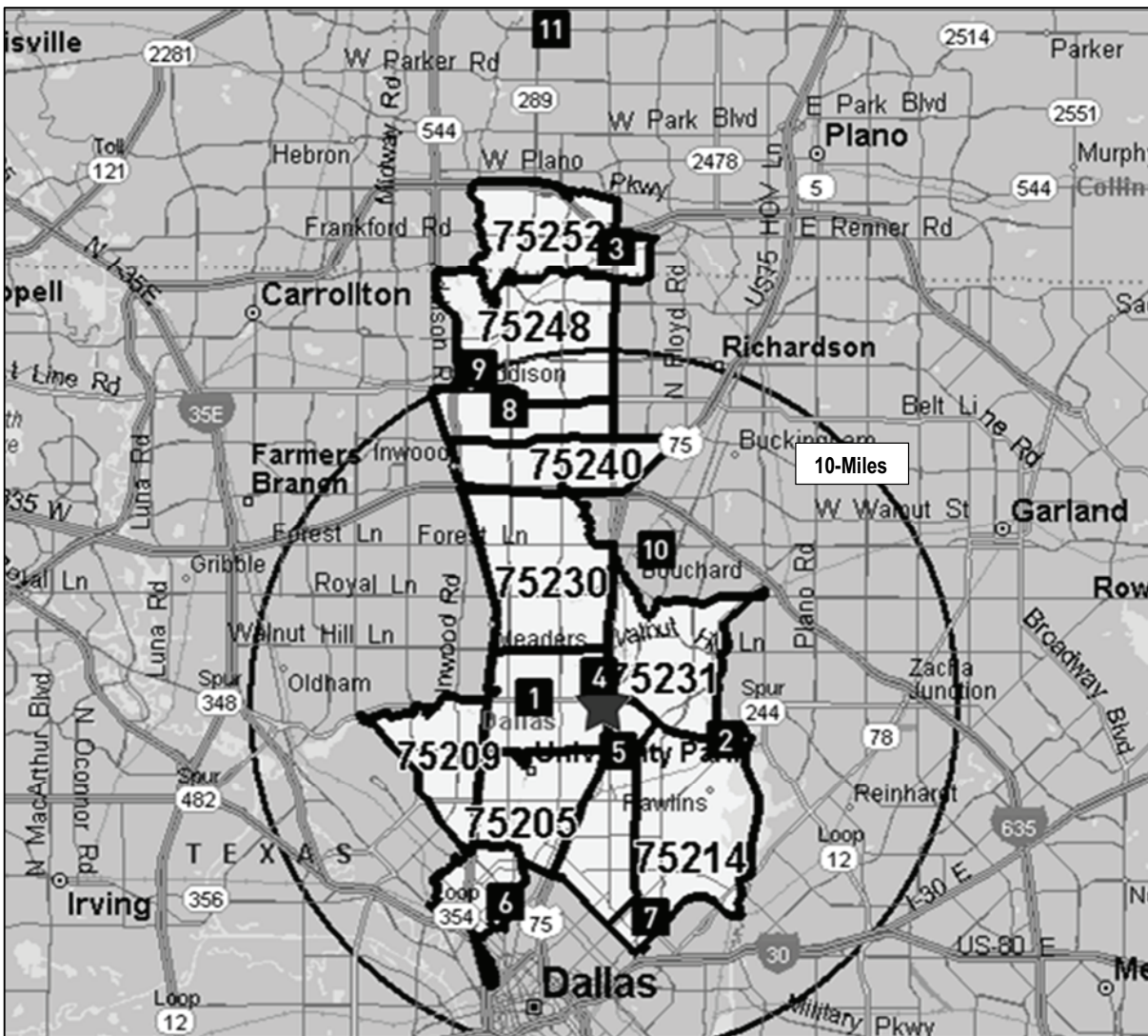
| Zip Code | Town | Number of Depositors⁽¹⁾ | Percentage of Total |
|------------------------------------|---------------|---|----------------------------|
| 75225 ⁽²⁾ | Dallas | 24 | 18.6% |
| 75230 | Dallas | 18 | 14.0% |
| 75219 | Highland Park | 10 | 7.8% |
| 75205 | Dallas | 8 | 6.2% |
| 75248 | Dallas | 8 | 6.2% |
| 75252 | Dallas | 6 | 4.7% |
| 75209 | Highland Park | 4 | 3.1% |
| 75240 | Dallas | 3 | 2.2% |
| 75214 | Dallas | 3 | 2.2% |
| 75231 | Dallas | 2 | 1.6% |
| 75206 | Dallas | 1 | 0.8% |
| 75254 | Dallas | 1 | 0.8% |
| Total from IL PMA Zip Codes | | 88 | 68.2% |
| Other Texas areas | | 33 | 25.6% |
| Out of state | | 8 | 6.2% |
| Total | | 129 | 100.0% |

Source: Management and the United States Postal Service

(1) Depositor information as of April 11, 2017. Two Depositors have reserved two Independent Living Units for a total of 131 units reserved.

(2) The Community is to be located in zip code 75225.

The following map depicts the Community, nine comparable independent living communities in the IL PMA and two comparable independent living communities near the IL PMA.



Legend



The IL PMA ★ The Community

Entrance Fee Communities within the IL PMA

- 1 – Edgemere
- 2 – C.C. Young
- 3 – Highland Springs

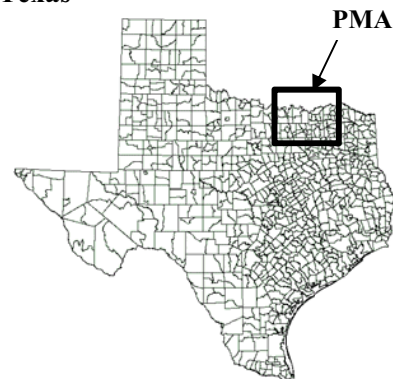
Rental Communities within the IL PMA

- 4 – The Forum at Park Lane
- 5 – The Tradition – Lovers Lane
- 6 – Belmont Village Turtle Creek
- 7 – Juliette Fowler Homes
- 8 – Signature Point on the Lake
- 9 – Traditions of Prestonwood

Entrance Fee Communities near the IL PMA

- 10 – Presbyterian Village North
- 11 – The Legacy at Willow Bend

Texas



Source: Microsoft MapPoint and MapInfo

See Independent Accountant's Examination Report

Population

The age distribution of the population in a geographic area is a key factor in the determination of an area's retirement housing needs. The U.S. Census Bureau has compiled demographic data based on the 2010 census figures. The Nielsen Company, a firm that specializes in the analysis of demographic data, has extrapolated the 2010 census information to derive the estimated 2017 figures and forecasted statistics for 2022. The following table presents population data by age cohort and the anticipated average annual compounded percentage change between 2000 and 2017 and 2017 and 2022 in the IL PMA, Texas and the United States.

Table 10
Historical, Estimated and Projected IL PMA,
Texas and United States Populations

| | 2010 Population (Census) | 2017 Population (Estimated) | 2022 Population (Projected) | Compounded Annual Percentage Change 2010 – 2017 | Compounded Annual Percentage Change 2017– 2022 |
|-----------------------------|---|--|--|--|---|
| <u>IL PMA</u> | | | | | |
| Total Population | 318,792 | 344,829 | 365,718 | 1.1% | 1.2% |
| Age 65 to 74 Population | 18,053 | 26,021 | 33,220 | 5.4% | 5.0% |
| Age 75 to 84 Population | 11,273 | 12,859 | 15,809 | 1.9% | 4.2% |
| Age 85 Plus Population | 5,667 | 6,662 | 6,916 | 2.3% | 0.8% |
| Total 65 Plus | 34,993 | 45,542 | 55,945 | 3.8% | 4.2% |
| Total 75 Plus | 16,940 | 19,521 | 22,725 | 2.0% | 3.1% |
| <u>Texas</u> | | | | | |
| Total Population | 25,145,561 | 28,172,387 | 30,273,125 | 1.6% | 1.4% |
| Age 65 to 74 Population | 1,472,256 | 2,102,318 | 2,637,789 | 5.2% | 4.6% |
| Age 75 to 84 Population | 824,451 | 990,043 | 1,226,521 | 2.6% | 4.4% |
| Age 85 Plus Population | 305,179 | 381,990 | 422,049 | 3.3% | 2.0% |
| Total 65 Plus | 2,601,886 | 3,474,351 | 4,286,359 | 4.2% | 4.3% |
| Total 75 Plus | 1,129,630 | 1,372,033 | 1,648,570 | 2.8% | 3.7% |
| <u>United States</u> | | | | | |
| Total Population | 308,745,538 | 325,139,271 | 337,393,057 | 0.7% | 0.7% |
| Age 65 to 74 Population | 21,713,429 | 29,466,143 | 35,735,178 | 4.5% | 3.9% |
| Age 75 to 84 Population | 13,061,122 | 14,481,874 | 16,651,167 | 1.5% | 2.8% |
| Age 85 Plus Population | 5,493,433 | 6,327,357 | 6,688,544 | 2.0% | 1.1% |
| Total 65 Plus | 40,267,984 | 50,275,374 | 59,074,889 | 3.2% | 3.3% |
| Total 75 Plus | 18,554,555 | 20,809,231 | 23,339,711 | 1.7% | 2.3% |

Source: The Nielsen Company

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

| Table 11 | | | |
|---|---------------|--------------|----------------------|
| Percentage of Total Population by Age Cohort | | | |
| 2010 (Census) | | | |
| | IL PMA | Texas | United States |
| <u>Age Groupings</u> | | | |
| 65 plus | 11.0% | 10.3% | 13.0% |
| 75 plus | 5.3% | 4.5% | 6.0% |
| 85 plus | 1.8% | 1.2% | 1.8% |
| 2017 (Estimated) | | | |
| | IL PMA | Texas | United States |
| <u>Age Groupings</u> | | | |
| 65 plus | 13.2% | 12.3% | 15.5% |
| 75 plus | 5.7% | 4.9% | 6.4% |
| 85 plus | 1.9% | 1.4% | 1.9% |
| 2022 (Projected) | | | |
| | IL PMA | Texas | United States |
| <u>Age Groupings</u> | | | |
| 65 plus | 15.3% | 14.2% | 17.5% |
| 75 plus | 6.2% | 5.4% | 6.9% |
| 85 plus | 1.9% | 1.4% | 2.0% |

Source: The Nielsen Company

Estimated Eligible Households within the IL PMA

In order to qualify for residency at the Community, a prospective resident must be at least 62 years of age (or if a couple, one spouse is at least 62 years of age) and demonstrate sufficient financial resources to pay the Entrance Fee, required Monthly Fee and other expenses related to independent living services not provided for in the Residency Agreement. Accordingly, Management has established certain criteria to identify potential residents who are eligible to reside in an Independent Living Unit. Management estimates that prospective independent living residents at the Community should have a minimum monthly income of 1.7 times the Monthly Fee and assets equal to or greater than 1.7 times the Entrance Fee to become a Depositor at the Community.

For purposes of quantifying the number of income-qualified households in the IL PMA, households age 75 or older are considered to be the most likely to establish residency in an Independent Living Unit. The composition of Depositors as of April 11, 2017 is described in the table below:

Table 12
The Community
Depositor Composition

| Age Group of Primary Depositors | Number of Depositors | Percentage |
|---|-----------------------------|-------------------|
| Under 75 | 31 | 24.0% |
| 75 and older | 98 | 76.0% |
| Total Primary Depositors on entry into the Community ⁽¹⁾ | 129 | 100.0% |

Source: Management

(1) Represents the age of primary Depositors when the Community opens in 2019.

In addition, Management has considered the following two annual household income scenarios for estimating the number of income-qualified households in the IL PMA:

- Annual household income approximately \$50,000 or more based on the minimum income qualification of comparable independent living communities in the IL PMA; and
- Annual household income approximately \$75,000 or more based on a factor of 1.7 and the Monthly Fee of the smallest Independent Living Unit at the Community (approximately \$3,600).

Of the Depositors, the median annual income is approximately \$150,000 and the median net worth is approximately \$3,981,000, based on self-reported Depositor information provided by Management as of April 11, 2017. The average age of Depositors (first persons) upon the Community opening in 2019 approximates 79 years of age.

The following table illustrates the 2017 estimated and the 2022 projected household income distribution for householders age 65 to 74 and 75 or over in the IL PMA.

Table 13
Income Eligible Households for Independent Living Services Within the IL PMA

| | 2017 (Estimated) | | |
|--|------------------|--------|--------|
| | 65 – 74 | 75+ | Total |
| Total Households: | 17,145 | 13,815 | 30,960 |
| <u>Household Income</u> | | | |
| Under \$50,000 | 5,647 | 8,039 | 13,686 |
| <u>\$50,000 and over</u> | | | |
| \$50,000 – 74,999 | 2,497 | 1,762 | 4,259 |
| \$75,000 – 99,999 | 2,004 | 1,110 | 3,114 |
| \$100,000 – 149,999 | 2,475 | 1,296 | 3,771 |
| \$150,000 plus | 4,522 | 1,608 | 6,130 |
| Total \$50,000 and over | 11,498 | 5,776 | 17,274 |
| Percentage of Income Eligible Households to Total Households – \$50,000 and over | 67.1% | 41.8% | 55.8% |
| Total \$75,000 and over | 9,001 | 4,014 | 13,015 |
| Percentage of Income Eligible Households to Total Households – \$75,000 and over | 52.5% | 29.1% | 42.0% |
| | 2022 (Projected) | | |
| | 65 – 74 | 75+ | Total |
| Total Households: | 21,940 | 16,126 | 38,066 |
| <u>Household Income</u> | | | |
| Under \$50,000 | 6,826 | 8,854 | 15,680 |
| <u>\$50,000 and over</u> | | | |
| \$50,000 – 74,999 | 3,088 | 2,062 | 5,150 |
| \$75,000 – 99,999 | 2,541 | 1,375 | 3,916 |
| \$100,000 – 149,999 | 3,159 | 1,607 | 4,766 |
| \$150,000 plus | 6,326 | 2,228 | 8,554 |
| Total \$50,000 and over | 15,114 | 7,272 | 22,386 |
| Percentage of Income Eligible Households to Total Households – \$50,000 and over | 68.9% | 45.1% | 58.8% |
| Total \$75,000 and over | 12,026 | 5,210 | 17,236 |
| Percentage of Income Eligible Households to Total Households – \$75,000 and over | 54.8% | 32.3% | 45.3% |

Source: The Nielsen Company

The following table compares the percentage of income-qualified households to total households for the \$50,000 and \$75,000 income qualification level for age 75 and above households within the IL PMA, Texas, and the United States.

| Table 14 | | | |
|--|-------------------------|--------------|----------------------|
| Comparison of Income-Qualified Households – 2022 | | | |
| | Age 75 and Above | | |
| | IL PMA | Texas | United States |
| Percentage of Income Eligible Households to Total Households – \$50,000 and over | 45.1% | 32.5% | 31.8% |
| Percentage of Income Eligible Households to Total Households – \$75,000 and over | 32.3% | 19.6% | 18.6% |

Source: The Nielsen Company

The following table estimates the number of age- and income-qualified households in the IL PMA as estimated in 2017, interpolated in 2019 and projected in 2022 based on the 2010 Census.

| Table 15 | | | |
|---|-------------------------|-------------|-------------|
| Income Eligible Households for Independent Living Services Within the IL PMA | | | |
| | Age 75 and Above | | |
| | 2017 | 2019 | 2022 |
| Total \$50,000 and over | 5,776 | 6,374 | 7,272 |
| Percentage of Income Eligible Households to Total Households – \$50,000 and over | 41.8% | 43.2% | 45.1% |
| Total \$75,000 and over | 4,014 | 4,492 | 5,210 |
| Percentage of Income Eligible Households to Total Households – \$75,000 and over | 29.1% | 30.5% | 32.3% |

Source: The Nielsen Company

Market Area Real Estate

The ability of potential residents to sell their home prior to assuming occupancy at a senior living community may have an impact on the ability of residents to pay the required entrance fee. Often, entrance fees are paid with funds received through the sale of a prospective resident's home. The following tables summarize the real estate statistics for the IL PMA.

Table 16
Market Area Real Estate Trends for IL PMA Zip Codes⁽¹⁾

| Zip Code | 2014 | | | 2015 | | | 2016 | | |
|-------------------------------|----------------------|---------------------|------------------------|----------------------|---------------------|------------------------|----------------------|---------------------|------------------------|
| | Number of Homes Sold | Average Sales Price | Average Days on Market | Number of Homes Sold | Average Sales Price | Average Days on Market | Number of Homes Sold | Average Sales Price | Average Days on Market |
| 75225 – Dallas ⁽²⁾ | 312 | \$1,324,969 | 61 | 319 | \$1,401,358 | 61 | 303 | \$1,446,674 | 60 |
| 75230 – Dallas | 389 | \$878,801 | 68 | 371 | \$934,069 | 59 | 360 | \$982,121 | 58 |
| 75219 – Highland Park | 22 | \$667,960 | 64 | 34 | \$687,618 | 43 | 35 | \$1,047,961 | 36 |
| 75248 – Dallas | 426 | \$419,557 | 32 | 398 | \$443,642 | 36 | 410 | \$460,063 | 37 |
| 75252 – Dallas | 288 | \$386,091 | 35 | 281 | \$410,395 | 35 | 264 | \$452,885 | 35 |
| 75205 – Dallas | 230 | \$1,744,602 | 76 | 224 | \$1,696,614 | 73 | 236 | \$1,882,696 | 78 |
| 75209 – Highland Park | 257 | \$732,542 | 52 | 250 | \$881,423 | 52 | 244 | \$866,048 | 66 |
| 75240 – Dallas | 84 | \$395,507 | 52 | 104 | \$383,805 | 54 | 100 | \$436,707 | 43 |
| 75206 – Dallas | 391 | \$434,360 | 41 | 375 | \$509,654 | 42 | 353 | \$548,524 | 41 |
| 75214 – Dallas | 649 | \$513,963 | 42 | 736 | \$570,222 | 38 | 653 | \$611,561 | 38 |
| 75231 – Dallas | 126 | \$381,609 | 44 | 126 | \$413,057 | 49 | 138 | \$453,579 | 49 |
| 75254 – Dallas | 81 | \$640,543 | 65 | 65 | \$725,391 | 70 | 62 | \$679,781 | 51 |
| Total/Weighted Avg. | 3,255 | \$702,296 | 49 | 3,283 | \$749,057 | 48 | 3,158 | \$802,341 | 48 |

Source: North Texas Real Estate Information Systems, Inc.

(1) Information includes single-family home sales in the IL PMA.

(2) The Community is to be located in zip code 75225.

The following table summarizes the real estate statistics for single-family homes for each zip code in the IL PMA broken down by housing sale price category.

Table 17
Residential Sales within the IL PMA⁽¹⁾⁽²⁾

| Zip Code / Town | Sale Price | | | | | | | | | | | | Total | | |
|---|---------------------|-------|-------|-----------------------|-------|-------|-----------------------|-------|-------|-----------------------|-------|-------|-------|-------|-------|
| | \$499,999 and Under | | | \$500,000 - \$749,999 | | | \$750,000 - \$999,999 | | | \$1,000,000 and Above | | | | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| 75225 – Dallas ⁽¹⁾ | 17 | 7 | 5 | 35 | 40 | 35 | 61 | 73 | 52 | 199 | 199 | 211 | 312 | 319 | 303 |
| 75230 – Dallas | 94 | 56 | 45 | 119 | 123 | 118 | 54 | 65 | 70 | 122 | 127 | 127 | 389 | 371 | 360 |
| 75219 – Highland Park | 10 | 19 | 14 | 7 | 9 | 10 | 3 | 2 | 4 | 2 | 4 | 7 | 22 | 34 | 35 |
| 75248 – Dallas | 360 | 325 | 307 | 43 | 56 | 79 | 8 | 7 | 13 | 15 | 10 | 11 | 426 | 398 | 410 |
| 75252 – Dallas | 241 | 226 | 198 | 34 | 41 | 46 | 8 | 7 | 14 | 5 | 7 | 6 | 288 | 281 | 264 |
| 75205 – Dallas | 1 | 4 | – | 24 | 16 | 13 | 43 | 37 | 29 | 162 | 167 | 194 | 230 | 224 | 236 |
| 75209 – Highland Park | 93 | 66 | 65 | 59 | 72 | 67 | 55 | 38 | 45 | 50 | 74 | 67 | 257 | 250 | 244 |
| 75240 – Dallas | 63 | 80 | 63 | 14 | 19 | 25 | 4 | 4 | 9 | 3 | 1 | 3 | 84 | 104 | 100 |
| 75206 – Dallas | 271 | 201 | 154 | 106 | 125 | 148 | 14 | 49 | 50 | – | – | 1 | 391 | 375 | 353 |
| 75214 – Dallas | 418 | 398 | 306 | 112 | 167 | 177 | 82 | 112 | 98 | 37 | 59 | 72 | 649 | 736 | 653 |
| 75231 – Dallas | 107 | 102 | 92 | 17 | 21 | 41 | 2 | 3 | 5 | – | – | – | 126 | 126 | 138 |
| 75254 – Dallas | 34 | 20 | 17 | 30 | 23 | 26 | 11 | 11 | 15 | 6 | 11 | 4 | 81 | 65 | 62 |
| Total | 1,709 | 1,504 | 1,266 | 600 | 712 | 785 | 345 | 408 | 404 | 601 | 659 | 703 | 3,255 | 3,283 | 3,158 |
| Percent of Total Home Sales in the IL PMA | 52.5% | 45.8% | 40.1% | 18.4% | 21.7% | 24.9% | 10.6% | 12.4% | 12.8% | 18.5% | 20.1% | 22.2% | 100% | 100% | 100% |

Source: North Texas Real Estate Information Systems, Inc.

(1) Information includes single-family home sales in the IL PMA.

(2) Reflects data through December 31, 2016.

(3) The Community is to be located in zip code 75225.

Unemployment Trends

The unemployment trends for the city of Dallas, Dallas County, Texas and the United States are shown in the following table.

| Table 18 | | | | |
|----------------------------|-------------|-------------|-------------|-------------|
| Unemployment Trends | | | | |
| | 2013 | 2014 | 2015 | 2016 |
| City of Dallas | 6.4% | 5.3% | 4.1% | 3.8% |
| Dallas County | 6.5% | 5.4% | 4.3% | 3.9% |
| Texas | 6.2% | 5.1% | 4.4% | 4.6% |
| United States | 7.4% | 6.2% | 5.3% | 4.9% |

Source: U.S. Department of Labor, Bureau of Labor Statistics Data

According to the Dallas Economic Development Guide, major employers in the Dallas area with over 10,000 employees include American Airlines, AT&T, Inc., Bank of America, Baylor Scott & White Health, HCA North Texas, J.P. Morgan Chase & Co., Kroger, Lockheed Martin Aeronautics Co., Nation Air Station, Texas Health Resources, Texas Instruments, Inc., U.S. Postal Service, UT Southwestern and Walmart Stores, Inc.

Continuing Care Regulatory Requirements

In Texas, continuing care retirement communities (“CCRCs”) are licensed and regulated by the Texas Department of Insurance (“DOI”) through the Corporation Licensing & Registration Division (the “Division”). The Division defines continuing care as: “the furnishing of a living unit, together with personal care services, nursing services, medical services, or other health-related services, to an individual who is not related by consanguinity or affinity to the provider of the care under a continuing care contract, regardless of whether the services and the living unit are provided at the same location.”

Under Texas law, continuing care providers that require payment of an entrance fee must obtain a Certificate of Authority (“COA”) from the DOI prior to entering into a contract to provide continuing care (or life care). However, the COA application cannot be submitted until documentation is received evidencing commitment to the proposed project for any permanent mortgage loan or long-term financing arrangement. Prior to receiving a COA, prospective residents at a project are expected to sign a reservation agreement. Once the COA is received from the DOI, prospective residents who have executed a reservation agreement and placed a deposit equivalent to 10 percent of the entrance fee for the independent living unit selected, are expected to execute a residency agreement prior to occupancy.

A CCRC shall file a disclosure statement with the Division before one or more of the following occurs: the provider contracts to provide continuing care in a facility located or to be located in Texas, the provider extends the term of an existing contract to provide continuing care in a facility located or to be located in Texas, a provider or provider’s agent accepts a reservation agreement deposit or the provider or provider’s agent solicits a continuing care contract in Texas for an individual who resides in Texas at the time of solicitation. An annual disclosure statement is required each year subsequent to initial registration. The provider is also required to issue a

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disclosure statement to the person with whom the contract is to be made before the provider executes a continuing care contract or before any entrance fee or entrance fee deposit is transferred. Deposits may be collected prior to obtaining a certificate of occupancy as long as those funds are placed in an escrow account.

Comparable Retirement Communities

Comparable communities include those offering independent living units and at least one level of health care services, such as assisted living and/or nursing care for age restricted seniors. Independent living units may be apartments, cottages, and/or free-standing homes where residents have access to on-site amenities, which typically include a choice of dining venues, library, lounge areas, fitness facilities, banking, game room, multi-purpose room, arts and crafts area, hair salon, a chapel, and more. Services typically include one meal per resident per day, weekly or bi-weekly housekeeping, all utilities except telephone, scheduled transportation, activities program, emergency call system in each residence, 24-hour security, interior and exterior maintenance, maintenance of grounds, and discounted health care services in on-site assisted living and nursing care facilities.

Comparable facilities are defined as those facilities that: (i) include independent living services; (ii) provide one or more other levels of care such as assisted living, dementia care and/or nursing care services; (iii) offer similar services and amenities within the PMA of the Community; and/or (iv) compete for similar age- and income-qualified residents.

CCRCs may provide a variety of contracts to residents. Generally, the major distinction in contract types relates to the health care benefit. The most common contract types are as follows:

Extensive or Life Care Contract ("Type A") - Under a Type A contract, a resident typically pays an upfront entrance fee and an ongoing monthly service fee in exchange for the right to lifetime occupancy of an independent living unit with certain services and amenities. Residents of independent living who require assisted living or nursing care may transfer to the appropriate level of care and continue to pay essentially the same monthly service fee they had been paying for their residence, or upon permanent transfer, the fee may be adjusted to the weighted average of all monthly service fees. The Independent Living Units are available under a Type A contract.

Modified Contract ("Type B") - Under a Type B contract, the resident also generally pays an upfront entrance fee and an ongoing monthly service fee for the right to lifetime occupancy of an independent living unit with certain services and amenities. However, under a Type B contract, the CCRC typically provides assisted living or skilled nursing care to residents either (a) at a discounted rate on the per diem, e.g., 20 percent (20%) discount; (b) a certain number of days per year or per lifetime, e.g., 60-90 days; or (c) a combination of the two. A Type B contract is not offered at the Community.

Fee-for-Service Contract ("Type C") - A Type C contract also generally requires an upfront entrance fee and an ongoing monthly service fee for the right to lifetime occupancy of an independent living unit with certain services and amenities. However, under the Type C contract, residents who require assisted living or nursing care do not receive any discount on assisted living or skilled nursing services. A Type C contract is not offered at the Community.

Rental Contract - In addition to the three contract types described above, comparable retirement communities may also include rental communities that offer independent living housing and health care services, such as assisted living or nursing care. The resident is not required to pay an entrance fee, but rather signs a lease for the independent living unit selected and pays for various additional services utilized on a monthly or per diem basis at prevailing market rates.

The following tables profile the Community, nine comparable retirement communities within the PMA and two CCRCs near the IL PMA. The profile of communities are separated into entrance fee communities and rental communities for comparison purposes. The two entrance fee CCRCs located near the IL PMA are not included in the penetration rate calculations following due to their locations outside of the IL PMA, but have been included for comparison purposes.

Table 19
Comparable Entrance Fee Communities within the IL PMA

| | The Community | Edgemere | C.C. Young | Highland Springs |
|---|-----------------------------|--------------------------------------|--------------------------|---------------------|
| Location | Dallas – 75225 | Dallas – 75225 | Dallas – 75214 | Dallas – 75252 |
| Driving Miles from the Community | – | 1.8 | 3.2 | 9.6 |
| Sponsor/Developer | Buckner Senior Living, Inc. | Northwest Senior Housing Corporation | C.C. Young Memorial Home | Erickson Living |
| Year Opened | 2019 | 2001/2008 | 1922 | 2006 |
| Type of Contract | Type A | Type A | Type B | Type C |
| For-Profit/Not-for-Profit | Not-for-Profit | Not-for-Profit | Not-for-Profit | Not-for-Profit |
| Residence Configuration | | | | |
| <i>Independent Living Residences</i> | | | | |
| Studios | – | – | – | – |
| One-bedroom apartments | 61 | 122 | 98 | 236 |
| Two-bedroom apartments | 119 | 176 | 125 | 518 |
| Three-bedroom apartments | 9 | 6 | – | – |
| Total ILUs | 189 | 304 | 223 | 754 |
| <i>Assisted Living Units</i> | 38 AL/26 MC | 60 AL/31 MC | 75 AL/40 MC | 28 AL/28 MC |
| <i>Nursing Care Beds</i> | 72 | 72 | 117 | 44 |
| Independent Living | | | | |
| <i>Square Footage</i> | | | | |
| Studios | – | – | – | – |
| One-bedroom apartments | 947 – 1,443 | 800 – 1,296 | 600 – 1,100 | 700 – 1,100 |
| Two-bedroom apartments | 1,270 – 1,759 | 1,236 – 1,750 | 900 – 2,200 | 1,100 – 2,000 |
| Three-bedroom apartments | 2,022 | 2,026 | – | – |
| <i>Entrance Fees</i> | | | | |
| Studios | – | – | – | – |
| One-bedroom apartments | \$454,914 – 705,160 | \$233,862 – 699,370 | \$244,100 – 359,900 | \$129,000 – 306,000 |
| Two-bedroom apartments | \$602,978 – 961,300 | \$370, – 1,076,910 | \$406,100 – 750,300 | \$192,000 – 539,000 |
| Three-bedroom apartments | \$1,100,733 | \$1,387,970 | – | – |
| 2 nd Person Entrance Fee | – | – | – | – |
| <i>Monthly Fees</i> | | | | |
| Studios | – | – | – | – |
| One-bedroom apartments | \$3,356 – 4,949 | \$3,543 – 5,112 | \$2,490 – 2,885 | \$1,950 – 2,674 |
| Two-bedroom apartments | \$4,553 – 6,202 | \$5,330 – 7,093 | \$3,380 – 5,990 | \$2,260 – 3,224 |
| Three-bedroom apartments | \$7,267 | \$7,576 | – | – |
| 2 nd Person Monthly Fee | \$1,131 | \$1,404 | \$500 – 600 | \$775 |
| <i>Refund Options</i> | 0%/ 50%/90% (shown) | 90% | 50%/90% (shown) | 90% |
| Assisted Living | | | | |
| <i>Monthly Fee</i> | \$4,991 – 6,593 | \$6,686 – 8,294 | \$3,275 – 6,550 | \$4,472 – 9,672 |
| Nursing Care | | | | |
| <i>Daily Rate</i> | \$325 | \$344 – 404 | \$199 – 269 | \$307 |
| Occupancy Rate | | | | |
| <i>Independent Living</i> | – | 87% | 96% | 95% |
| <i>Assisted Living</i> | – | 95% | 88% | 100% |
| <i>Nursing Care</i> | – | 96% | 85% | 98% |

Source: Management, NICMap and surveys conducted by Dixon Hughes Goodman LLP through March 2017.

*Notes to Table***The Community**

- (1) Entrance Fees and Monthly Services Fees shown are for the 90% Refundable Type A contract. Entrance Fees shown for the Community are those currently being marketed to potential residents. The Monthly Fees and Daily Fees shown have been deflated from the 2019 rates currently being marketed to potential residents to 2017 dollars (at three percent annually) and are shown for comparative purposes only.
- (2) Three refund plans are available at the Community: 90% Refundable (shown, which is 95% Refundable for Charter Residents), 50% Refund Plan and 0% Refund Plan. The weighted average Entrance Fees for the 50% Refund Plan and 0% Refund Plan for the Type A Plan are \$585,958 and \$498,070, respectively. Monthly Fees for all plans are the same.
- (3) Monthly Fees for the Memory Support Units are \$6,593 in 2017 dollars (deflated three percent from 2019 dollars).

Edgemere

- (1) Edgemere is currently undergoing an expansion and renovation project that is expected to result in the net increase of eight new assisted living units, 11 memory support units and 15 nursing beds as well as a new parking garage and a new performing arts center. In addition, the community is undergoing a renovation of existing common areas for the independent living units and health center, including the dining rooms, theater, spa and wellness center, arts and crafts room, card room, multipurpose room and administrative spaces. The expansion and renovation project is expected to be complete in late 2017.
- (2) Monthly fees for the memory support units range from \$6,895 to \$7,899.

C.C. Young

- (1) The independent living units at C.C. Young have been built in phases. The Thomas building, which includes 37 independent living units opened in 1986. The Asbury building which includes 78 independent living units opened in 1990. The Overlook, which includes 108 independent living units, opened in 2011.
- (2) The community is currently undergoing an renovation and replacement project to include the addition of 45 new assisted living units, 48 new memory support units and 128 new nursing beds as well as an adult day care center and underground parking. The 40 existing memory support units and 117 existing nursing beds are to be demolished. Upon completion of the project, the community will include 120 assisted living units, 48 memory support units and 128 nursing beds with an anticipated opening date in late 2018.
- (3) Entrance fees and monthly fees shown are for the Asbury building and The Overlook. The 37 independent living units located in the Thomas building are rental apartments. The monthly fees for the Thomas Building range from \$2,600 to \$3,200 with a second person monthly fee of \$300.
- (4) The 50% refundable plan is only available in the Asbury Building. Entrance fees for the 50% refundable plan range from \$60,000 to \$85,000 and the monthly fees range from \$2,340 to \$3,245.
- (5) There is a second person monthly fee of \$780 for the assisted living units.
- (6) The monthly fee for the assisted living units is all-inclusive.
- (7) Monthly fees for the memory support units ranges from \$4,800 to \$6,100. Two additional levels of care are available in the memory support units for the following monthly fees: Level I is \$400 and Level II is \$700.

Highland Springs

- (1) The independent living unit mix shown includes the 108 new independent living units opened in December 2016. The 108 new independent living units include one-bedroom and two-bedroom configurations. It is assumed that 50 percent of the new independent living units are one-bedroom apartments and 50 percent of the new independent living units are two-bedroom apartments.
- (2) According to management of Highland Springs, a 6th independent living building is currently under construction to be available for occupancy in April 2018. Management of Highland Springs would not disclose the number of new independent living apartments currently under construction. The two newest buildings at Highland Springs included 96 and 108 independent living apartments, respectively. Therefore, for purposes of the penetration rate analysis that follows, it is assumed that 100 new independent living apartments are currently under construction and would be available in 2018.

Table 20
Comparable Entrance Fee Communities near the IL PMA

| | Presbyterian Village North | The Legacy at Willow Bend |
|---|---------------------------------------|---------------------------|
| Location | Dallas – 75243 | Plano – 75024 |
| Driving Miles from the Community | 4.7 | 19.3 |
| Sponsor/Developer | Presbyterian Communities and Services | Legacy Senior Communities |
| Year Opened | 1980/2016 | 2008 |
| Type of Contract | Type C | Type A |
| For-Profit/Not-for-Profit | Not-for-Profit | Not-for-Profit |
| Residence Configuration | | |
| <i>Independent Living Residences</i> | | |
| Studios | 8 | – |
| One-bedroom apartments | 75 | 37 |
| Two-bedroom apartments | 38 | 60 |
| Three-bedroom apartments | – | 5 |
| Villas | 174 | 12 |
| Total ILUs | 295 | 114 |
| <i>Assisted Living Units</i> | 102 AL/44 MC | 40 AL/18 MC |
| <i>Nursing Care Beds</i> | 220 | 60 |
| Independent Living | | |
| <i>Square Footage</i> | | |
| Studios | 595 – 685 | – |
| One-bedroom apartments | 860 – 1,455 | 872 – 1,248 |
| Two-bedroom apartments | 1,180 – 2,300 | 1,235 – 1,488 |
| Three-bedroom apartments | – | 1,868 – 2,600 |
| Villas | 1,809 – 3,761 | 2,265 – 3,000 |
| <i>Entrance Fees</i> | | |
| Studios | \$22,495 | – |
| One-bedroom apartments | \$27,851 – 55,702 | \$340,000 – 405,000 |
| Two-bedroom apartments | \$44,990 – 94,266 | \$465,000 – 595,000 |
| Three-bedroom apartments | – | \$715,000 – 727,000 |
| Villas | \$106,049 – 628,794 | \$795,000 |
| 2 nd Person Entrance Fee | – | – |
| <i>Monthly Fees</i> | | |
| Studios | \$2,206 – 2,390 | – |
| One-bedroom apartments | \$2,952 – 3,676 | \$3,200 – 3,920 |
| Two-bedroom apartments | \$3,676 – 5,096 | \$4,140 – 4,620 |
| Three-bedroom apartments | – | \$5,335 |
| Villas | \$3,081 – 7,520 | \$5,745 |
| 2 nd Person Monthly Fee | \$640 | \$1,175 |
| <i>Refund Options</i> | 100% | 90% |
| Assisted Living | | |
| <i>Monthly Fee</i> | \$6,000 – 8,000 | \$5,885 – 6,755 |
| Nursing Care | | |
| <i>Daily Rate</i> | \$236 | \$260 – 280 |
| Occupancy Rate | | |
| <i>Independent Living</i> | 75% | 95% |
| <i>Assisted Living</i> | 90% | 100% |
| <i>Nursing Care</i> | 81% | 87% |

Source: Management, NICMap and surveys conducted by Dixon Hughes Goodman LLP through March 2017.

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Notes to Table:

Presbyterian Village North

- (1) The community completed an expansion project in June 2016 which included 56 new independent living apartments, 48 new independent living villas, 27 new assisted living units, 44 memory support units and 60 new nursing beds.
- (2) The entrance fees and monthly fees for the new independent living apartments range from \$162,490 to \$311,777 and \$2,461 to \$4,311, respectively, with square footages ranging from 820 to 1,645 square feet. The entrance fees and monthly fees for the new independent living villas range from \$136,491 to \$435,891 and \$3,018 to \$6,795, respectively, with square footages ranging from 1,000 to 1,800 square feet.
- (3) In addition to the 220 skilled nursing beds shown, the community also offers 60 transitional care units.

Legacy at Willow Bend

- (1) In addition to the entrance fee plan shown, a rental option is available in designated independent living units. Monthly fees for the rental apartments range from \$3,680 to \$4,645.
- (2) The monthly fee for the memory support units ranges from \$6,855 to \$7,720.

Table 21
Comparable Rental Communities within the IL PMA

| | The Forum at Park Lane | The Tradition – Lovers Lane | Belmont Village Turtle Creek |
|---|-------------------------------|------------------------------------|-------------------------------------|
| Location | Dallas – 75225 | Dallas – 75206 | Dallas – 75219 |
| Driving Miles from the Community | 1.3 | 1.4 | 5.2 |
| Sponsor/Developer | Five Star Senior Living | Tradition Senior Living, LP | Belmont Village Senior Living |
| Year Opened | 1990 | 2014 | 2013 |
| Type of Contract | Rental | Rental | Rental |
| For-Profit/Not-for-Profit | For-profit | For-profit | For-Profit |
| Residence Configuration | | | |
| <i>Independent Living Residences</i> | | | |
| Studios | – | – | – |
| One-bedroom apartments | 113 | 85 | 62 |
| Two-bedroom apartments | 77 | 117 | 15 |
| Homes/Cottages | – | – | – |
| Total ILUs | 190 | 202 | 77 |
| <i>Assisted Living Units</i> | 28 AL | 85 AL/24 MC | 99 AL/28 MC |
| <i>Nursing Care Beds</i> | 53 | – | – |
| Independent Living | | | |
| <i>Square Footage</i> | | | |
| Studios | – | – | – |
| One-bedroom apartments | 616 – 934 | 787 – 1,029 | 525 – 1,200 |
| Two-bedroom apartments | 865 – 1,463 | 1,182 – 1,577 | 900 – 1,400 |
| Homes/Cottages | – | – | – |
| <i>Monthly Fees</i> | | | |
| Studios | – | – | – |
| One-bedroom apartments | \$2,770 – 4,080 | \$3,300 – 3,800 | \$5,500 – 7,000 |
| Two-bedroom apartments | \$3,500 – 6,000 | \$4,500 – 5,100 | \$9,000 – 12,000 |
| Homes/Cottages | – | – | – |
| 2 nd Person Monthly Fee | \$650 | \$700 | \$1,100 – 1,300 |
| <i>Community Fee</i> | \$1,500 | \$4,500 | Two month's rent |
| Assisted Living | | | |
| <i>Monthly Fee</i> | \$3,255 – 5,580 | \$4,995 – 7,495 | \$5,000 |
| Nursing Care | | | |
| <i>Daily Rate</i> | \$231 | – | – |
| Occupancy Rate | | | |
| <i>Independent Living</i> | 100% | 100% | 100% |
| <i>Assisted Living</i> | 100% | 85% | 98% |
| <i>Nursing Care</i> | 99% | – | – |

Source: NICMap and surveys conducted by Dixon Hughes Goodman LLP through March 2017.

Table 21 (continued)
Comparable Rental Communities within the IL PMA

| | Juliette Fowler Homes | Signature Pointe on the Lake | Traditions of Prestonwood |
|---|----------------------------------|---|--------------------------------------|
| Location | Dallas – 75214 | Dallas – 75240 | Dallas – 75248 |
| Driving Miles from the Community | 5.9 | 8.8 | 9.9 |
| Sponsor/Developer | Juliette Fowler Homes, Inc. | Life Care Services, LLC | Traditions Senior Living, LP |
| Year Opened | 1911/2001 | 1998 | 2010 |
| Type of Contract | Rental | Rental | Rental |
| For-Profit/Not-for-Profit | Not-for-Profit | For-Profit | For-Profit |
| Residence Configuration | | | |
| <i>Independent Living Residences</i> | | | |
| Studios | 4 | – | – |
| One-bedroom apartments | 48 | 91 | n/a |
| Two-bedroom apartments | 8 | 14 | n/a |
| Homes/Cottages | – | – | – |
| Total ILUs | 60 | 105 | 215 |
| <i>Assisted Living Units</i> | 44 AL | 41 AL/30 MC | 75 AL/38 MC |
| <i>Nursing Care Beds</i> | 60 | 130 | – |
| Independent Living | | | |
| <i>Square Footage</i> | | | |
| Studios | 582 | – | – |
| One-bedroom apartments | 704 | 425 – 800 | 712 – 1,014 |
| Two-bedroom apartments | 860 | 945 – 1,100 | 1,104 – 1,710 |
| Homes/Cottages | – | – | – |
| <i>Monthly Fees</i> | | | |
| Studios | \$1,900 | – | – |
| One-bedroom apartments | \$2,000 – 2,820 | \$2,500 | \$3,195 – 4,095 |
| Two-bedroom apartments | \$3,200 – 3,700 | \$3,600 – 3,800 | \$4,595 – 6,500 |
| Homes/Cottages | – | – | – |
| 2 nd Person Monthly Fee | \$500 | \$450 | \$700 |
| <i>Community Fee</i> | \$2,000 | \$2,500 | \$3,000 |
| Assisted Living | | | |
| <i>Monthly Fee</i> | \$3,460 – 4,900 | \$3,650 – 4,800 | \$4,695 – 7,495 |
| Nursing Care | | | |
| <i>Daily Rate</i> | \$241 | \$189 – 247 | – |
| Occupancy Rate | | | |
| <i>Independent Living</i> | 73% | 80% | 100% |
| <i>Assisted Living</i> | 99% | 99% | 99% |
| <i>Nursing Care</i> | 90% | 80% | – |

Source: NICMap and surveys conducted by Dixon Hughes Goodman LLP through March 2017.

n/a = not available

Notes to Table:

The Forum at Park Lane

- (1) The community is currently undergoing renovations to its existing community including the dining areas and common spaces.
- (2) The second person monthly fee in the assisted living units is \$350.
- (3) In addition to the base monthly fees shown for the assisted living units, four additional levels of care are available in for the following monthly fees: Level I is \$500, Level II is \$940, Level III is \$1,105 and Level IV is \$1,325.
- (4) Medication management is available for \$330 to \$440 per month.

The Tradition – Lovers Lane

- (1) A community fee of \$3,000 is required upon move-in to the assisted living and memory support units.
- (2) The second person monthly fee in the assisted living units is \$900.
- (3) Monthly fees shown are for the traditional assisted living units. The monthly fee for the memory support units is \$6,395 to \$6,795 and is all-inclusive.
- (4) In addition to the base monthly fees shown for the assisted living units, two additional levels of care are available in for the following monthly fees: Level I is \$750 and Level II is \$1,250.

Belmont Village Turtle Creek

- (1) Monthly fees shown are for the traditional assisted living units. The monthly fee for the memory support units is all-inclusive.

Juliette Fowler Homes

- (1) Monthly fees shown are for the traditional assisted living units. The monthly fee for the memory support units range from \$4,550 to \$6,400 and are all-inclusive.

The Tradition – Prestonwood

- (5) A community fee of \$3,000 is required upon move-in to the assisted living and memory support units.
- (6) The second person monthly fee in the assisted living units is \$900.
- (7) Monthly fees shown are for the traditional assisted living units. The monthly fee for the memory support units is \$6,395 and is all-inclusive.
- (8) In addition to the base monthly fees shown for the assisted living units, two additional levels of care are available in for the following monthly fees: Level I is \$750 and Level II is \$1,250.

Non-Comparable Communities within the IL PMA

There are three market-rate independent living communities within the IL PMA that are not considered to be comparable to the Community due to pricing structure and/or lack of healthcare services offered. These rental communities are shown for informational purposes only and are not included in the penetration rate analyses that follow.

Table 22
Non-Comparable Independent Living Communities within the IL PMA

| | Driving Miles from the Community | Year Opened | Number of Units | Percent Occupied | Square Footage | Monthly Fee |
|---|---|----------------|--------------------|---------------------|-------------------|-----------------|
| Three Fountains Retirement Community ⁽¹⁾ | 1.4 | 1988 | 160 | 50% | 400 – 1,100 | \$850 – 1,200 |
| Five Star Premier Residences of Dallas | 2.1 | 1989 | 143 | 90% | 840 – 1,500 | \$3,010 – 5,540 |
| Meadowstone Place | 2.7 | 1970 | 140 | 98% | 833 – 1,666 | \$1,580 – 3,265 |
| Treemont Dallas | 6.9 | 1974 | 251 | 96% | 320 – 1,000 | \$1,740 – 3,255 |

Source: NICMap and Surveys conducted by Dixon Hughes Goodman LLP through March 2017.

(1) Three Fountains has 192 units; however, only 160 apartments are in operation.

Comparable Retirement Communities Planned or Under Development in or near the IL PMA

Based on discussions with representatives of the local planning and permitting agencies and interviews with management at existing retirement communities, other than the Community, there is one community planning to build independent living units in the IL PMA.

Legacy Senior Communities, the owner and operator of The Legacy Willow Bend profiled earlier in the report, is planning to construct a new rental CCRC to be known as “The Legacy at Midtown Park.” The Legacy at Midtown Park, approximately three miles north of the Community between Meadow Road and Royal Lane near US-75, is expected to include 130 independent living apartments, 45 assisted living apartments, 34 memory support suites and 40 skilled nursing beds. The project, which is expected to be financed in part through a \$15 million donor-driven campaign to raise the equity to finance the development, is expected to open in 2019.

Juliette Fowler Homes, approximately six miles south of the Community, is an existing rental community. The community currently has six new two-bedroom independent living apartments under construction ranging from 1,000 to 1,500 square feet with monthly fees ranging from \$3,700 to \$4,200 per month. The planned units are expected to be available for occupancy in summer 2017.

Highland Springs, approximately 10 miles north of the Community, is an existing community undergoing an independent living expansion project. According to management of Highland Springs, the sixth independent living building is currently under construction to be available for occupancy in April 2018. Management of Highland Springs would not disclose the number of

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new independent living apartments currently under construction. The two newest buildings at Highland Springs included 96 and 108 independent living apartments, respectively. Therefore, for purposes of the penetration rate analysis that follows, it is assumed that 100 new independent living apartments are currently under construction and would be available in 2018.

Summary of Comparable Independent Living Units in the IL PMA

There are 2,130 independent living units at the nine existing comparable retirement communities in the IL PMA. Including the 189 Independent Living Units and the 236 planned independent living units in the IL PMA, there are a total of 2,555 existing and planned independent living units located within the IL PMA.

| Table 23 | | | |
|---|-----------------|----------------|--------------|
| Summary of Comparable Independent Living Units within the IL PMA | | | |
| Retirement Communities | Existing | Planned | Total |
| <i>Existing Entrance Fee Units</i> | | | |
| Edgemere | 304 | — | 304 |
| C.C. Young | 223 | — | 223 |
| Highland Springs | 754 | 100 | 854 |
| Subtotal Existing Entrance Fee Units | 1,281 | 100 | 1,381 |
| <i>Existing Rental Units</i> | | | |
| The Forum at Park Lane | 190 | — | 190 |
| The Tradition – Lovers Lane | 202 | — | 202 |
| Belmont Village Turtle Creek | 77 | — | 77 |
| Juliette Fowler Homes | 60 | 6 | 66 |
| Signature Pointe on the Lake | 105 | — | 105 |
| Traditions of Prestonwood | 215 | — | 215 |
| Subtotal Existing Rental Units | 849 | 6 | 855 |
| <i>Planned Independent Living Units</i> | | | |
| The Legacy at Midtown Park | — | 130 | 130 |
| Total Existing and Planned Comparable Units | 2,130 | 236 | 2,366 |
| The Community | — | 189 | 189 |
| Total Existing and Planned IL in the IL PMA | 2,130 | 425 | 2,555 |

Source: Management and surveys conducted through March 2017.

Independent Living Penetration Analysis

Penetration rates are one measure of the degree to which the IL PMA is either under-served or saturated. As penetration rates increase, units may become more difficult to fill. However, higher penetration rates may not necessarily be an indication of the difficulty in achieving expected occupancy levels. Some markets may have a higher acceptance level for senior living housing options and may support higher penetration rates. Three penetration rate calculations are shown in the following tables:

Project Penetration Rate – The Project Penetration Rate is the percentage of age- and income-qualified households in the IL PMA the Community is expected to capture in order to achieve stabilized occupancy in the year of opening. The Project Penetration Rate is calculated by dividing the number of Independent Living Units at the Community by the number of age- and income-qualified households in the IL PMA. Seniors currently living in competitive independent living units in the IL PMA are subtracted from the pool of age- and income-qualified households. Calculations are based on demographics interpolated for the year the Community is expected to be available for occupancy (2019).

Net Market Penetration Rate (Absorption Rate) – The Net Market Penetration Rate is the percentage of age and income qualified households the available units in the market are expected to capture in order for the entire market to achieve stabilized occupancy in the year of opening. The Net Market Penetration Rate is calculated by dividing the number of available independent living units in the IL PMA by the number of age and income qualified households in the IL PMA. Available units include planned units of the Community, proposed units at other communities and units becoming available due to attrition. This calculation is of particular significance when more than one project is entering the market during the same timeframe. Calculations are based on demographics interpolated for the year the Community is expected to be available for occupancy (2019).

Gross Market Penetration Rate – The Gross Market Penetration Rate is the percentage of age- and income-qualified households that the total market must absorb for the entire market to achieve stabilized occupancy. Market penetration is calculated by dividing the total number of existing and planned independent living units in the IL PMA by the number of age- and income-qualified households in the IL PMA. Calculations are based on demographics for the current year (2017) and projected year (2022).

In both calculations, the total independent living units are adjusted to reflect assumptions about the percentage of units expected to be filled from qualified households in the IL PMA and occupancy.

These rates should be considered in conjunction with each other and other market factors such as occupancy levels at existing communities within and near the IL PMA, the number of proposed facilities in the IL PMA, the design of the units and community spaces at the Community, alternatives for potential residents, and marketing plans and efforts of Management.

The following table represents the Project Penetration Rates which represent the percentage of age- and income-qualified households in the IL PMA the Community is expected to capture upon opening in order to achieve stabilized occupancy, assuming an annual household income of \$50,000 and over and \$75,000 and over, based upon the income qualification at the Community and demographic projections for 2019.

Table 24
Project Penetration Rate – 2019

| | Age 75 and Above with Income \$50,000 and Above | Age 75 and Above with Income \$75,000 and Above |
|---|--|--|
| Planned units at the Community | 189 | 189 |
| Percentage of units to be filled from IL PMA ⁽¹⁾ | 70% | 70% |
| Planned units to be filled from the IL PMA | 132 | 123 |
| Percentage of units to be filled by age 75 and older ⁽¹⁾ | 75% | 75% |
| Planned units to be filled by age 75 and older | 99 | 99 |
| Total units at the Community to be filled at 95% occupancy (a) | 94 | 94 |
| Number of age- and income-qualified households ⁽²⁾ | 6,374 | 4,492 |
| Less: Existing inventory of available comparable units ⁽³⁾ | (1,573) | (1,573) |
| Net number of age- and income-qualified households (b) | 4,801 | 2,919 |
| Project Penetration Rate (a/b) | 2.0% | 3.2% |

Source: Management and The Nielsen Company

(1) Based upon Depositor information provided by Management as of April 11, 2017.

(2) Interpolated using 2017 estimated and 2022 projected population statistics as provided by The Nielsen Company.

(3) Reflects the 2,130 existing independent living units in the IL PMA and the 236 planned independent living units in the IL PMA expected to be open in 2019 based on a 95 percent occupancy assumption (2,248 units) and 70 percent from the IL PMA (1,573 units).

The following table presents the Net Market Penetration Rate for the year of the Community's planned opening, and indicates the percentage of the age- and income-qualified households in the IL PMA that must be absorbed in order to fill the available units during that year. The number of age- and income-qualified households is based on 2010 Census data and interpolated for the year 2019.

Table 25
IL PMA Net Market Penetration Rate – 2019

| | Age 75 and Above | |
|---|---------------------------------|---------------------------------|
| | Income \$50,000 and Above | Income \$75,000 and Above |
| Planned units in the IL PMA: | | |
| The Community | 189 | 189 |
| Other planned units ⁽¹⁾ | 236 | 236 |
| Total planned units | 425 | 425 |
| Percentage of units to be occupied by age 75 and older ⁽²⁾ | 75% | 75% |
| Total planned units to be occupied by age 75 and older | 319 | 319 |
| Total planned units to be occupied from the IL PMA at 95% occupancy | 303 | 303 |
| Unoccupied units to be filled within the IL PMA ⁽³⁾ | – | – |
| Total existing units available due to attrition ⁽⁴⁾ | 344 | 344 |
| Total units to be occupied | 647 | 647 |
| Percent of units to be occupied from the IL PMA ⁽²⁾ | 70% | 70% |
| Total units to be occupied from within the PMA by 75 and older (a) | 453 | 453 |
| Estimated number of age and income qualified households ⁽⁵⁾ | 6,374 | 4,492 |
| Less: Existing inventory of available comparable units ⁽⁶⁾ | (1,416) | (1,416) |
| Estimated number of age- and income-qualified households (b) | 4,958 | 3,076 |
| Net Market Penetration Rates (a/b) | 9.1% | 14.7% |

Source: Management and The Nielsen Company

- (1) Based on discussions with representatives of the local planning and permitting agencies and interviews with the management at existing retirement communities, except for the Community, there are 236 additional independent living units planned in the IL PMA.
- (2) Based on Depositor information as of April 11, 2017.
- (3) Based on the weighted average occupancy of approximately 95 percent in the IL PMA, no additional existing units would need to be filled to achieve 95 percent occupancy at comparable existing communities in the IL PMA.
- (4) Reflects the 1,281 existing entrance fee units in the IL PMA at 95 percent occupancy (1,217 units) and 13.1 percent attrition (159 units) and the 849 existing rental units in the IL PMA at 95 percent occupancy (807 units) and 22.9 percent attrition (185 units) for a total of 344 units available due to attrition. (Source: AAHSA State of Seniors Housing, 2012)
- (5) Interpolated using 2017 estimated and 2022 projected population statistics as provided by The Nielsen Company.
- (6) Reflects the 2,130 existing independent living units at the existing retirement communities within the IL PMA, assuming 95 percent occupancy (2,024 units) and 70% from the IL PMA for a total of 1,416 existing comparable units in the IL PMA.

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The following table presents the Gross Market Penetration Rate, which represents the percentage of age- and income-qualified households in the IL PMA that the entire market is expected to capture when the entire market has reached stabilized occupancy, assuming annual household incomes of \$50,000 and over and \$75,000 and over based upon the income qualification of communities in the IL PMA and demographic projections for 2017 and 2022.

Table 26
Gross Market Penetration Rate
Age 75 and Above

| | Income \$50,000 and Above | | Income \$75,000 and Above | |
|---|--------------------------------------|--------------|--------------------------------------|--------------|
| | 2017 | 2022 | 2017 | 2022 |
| Market inventory of retirement communities: | | | | |
| The Community | – | 189 | – | 189 |
| Comparable retirement communities | | | | |
| Existing units | 2,130 | 2,130 | 2,130 | 2,130 |
| Proposed units ⁽¹⁾ | – | 236 | – | 236 |
| Total units in the PMA | 2,130 | 2,555 | 2,130 | 2,555 |
| Percent of units to be occupied from the PMA ⁽²⁾ | 70% | 70% | 70% | 70% |
| Total units to be occupied from the PMA | 1,491 | 1,789 | 1,491 | 1,789 |
| Total units to be filled at 95% occupancy (a) | 1,416 | 1,700 | 1,416 | 1,700 |
| Number of age- and income-eligible households (b) | 5,776 | 7,272 | 4,014 | 5,210 |
| Market Penetration Rate (a/b) | 24.5% | 23.4% | 35.3% | 32.6% |

Source: Management and The Nielsen Company

(1) Other than the Community, there are 236 planned independent living units in the IL PMA.

(2) Based upon Depositor information provided by Management as of April 11, 2017.

Marketing the Community

The success of the Community is dependent, in part, on Management's ability to achieve specified pre-sales, fill-up rates and turnover rates for the Independent Living Units. Management began accepting \$100 non-binding priority deposit agreements on Independent Living Units in March 2015 and began converting priority deposits to Entrance Fee Deposits in August 2015.

To assist in the marketing of the Community and to encourage earlier commitments to residency, the Obligor has offered the aforementioned Charter Benefits Program to offer certain benefits to prospective residents for the Independent Living Units at the Community.

As of April 11, 2017, 129 Depositors had reserved 131 Independent Living Units (net of cancellations) out of a total of 189 Independent Living Units at the Community, or approximately 69 percent of the total Independent Living Units.

The following table presents the total number of Independent Living Units reserved by month reported by Management, as of April 11, 2017.

| Table 27 | | | | | |
|--|---------------------------------|---|-----------------------------------|----------------------------------|---|
| Marketing of the Independent Living Units | | | | | |
| Year | Number of Units Reserved | Number of Cancellations/ Refunds | Net Reservations for Month | Cumulative Units Reserved | Cumulative Percentage of Total Units |
| 2015: | | | | | |
| August ⁽¹⁾ | 51 | (1) | 50 | 50 | 26.5% |
| September | 8 | (1) | 7 | 57 | 30.2% |
| October | 5 | (2) | 3 | 60 | 31.7% |
| November | 2 | — | 2 | 62 | 32.8% |
| December | 6 | — | 6 | 68 | 36.0% |
| 2016: | | | | | |
| January | 2 | (2) | — | 68 | 36.0% |
| February | 1 | — | 1 | 69 | 36.5% |
| March | 3 | — | 3 | 72 | 38.1% |
| April | 4 | — | 4 | 76 | 40.2% |
| May | 5 | (2) | 3 | 79 | 41.8% |
| June | 6 | (4) | 2 | 81 | 42.9% |
| July | 7 | — | 7 | 88 | 46.6% |
| August | 7 | — | 7 | 95 | 50.3% |
| September | 6 | — | 6 | 101 | 53.4% |
| October | 2 | — | 2 | 103 | 54.5% |
| November | 7 | (3) | 4 | 107 | 56.6% |
| December | 5 | — | 5 | 112 | 59.3% |
| 2017: | | | | | |
| January | 6 | (3) | 3 | 115 | 60.8% |
| February | 12 | (1) | 11 | 126 | 66.7% |
| March | 8 | (2) | 6 | 132 | 69.8% |
| April ⁽²⁾ | — | (1) | (1) | 131 | 69.3% |
| Total⁽³⁾ | 153 | (22) | 131 | 131 | 69.3% |

Source: Management

(1) Conversion of initial interest list to Depositors began August 2015.

(2) As of April 11, 2017, 129 Depositors have reserved 131 units out of a total of 189 proposed Independent Living Units at the Community.

(3) A member of the Development Consultant is a Depositor of the Community.

The following table presents the total number and type of Independent Living Units available at the Community in relation to the Independent Living Units reserved with an Entrance Fee Deposit as of April 11, 2017.

Table 28
Inventory of Independent Living Units at the Community

| Unit Type | Square Footage | Total Units | Number of Units Sold | Percentage of Available Units Sold |
|---|-----------------------|--------------------|-----------------------------|---|
| One Bedroom Apartments: | | | | |
| Baltic | 947 | 7 | 7 | 100.0% |
| Indigo | 1,008 | 9 | 9 | 100.0% |
| Sapphire | 1,033 | 1 | 0 | 0.0% |
| Cobalt | 1,072 | 8 | 5 | 62.5% |
| Topaz | 1,127 | 5 | 0 | 0.0% |
| Cyan | 1,443 | 7 | 2 | 28.6% |
| Emerald | 1,156 | 7 | 7 | 100.0% |
| Jade | 1,183 | 9 | 9 | 100.0% |
| Viridian | 1,173 | 8 | 3 | 37.5% |
| Two Bedroom Apartments | | | | |
| Cerise | 1,389 | 8 | 1 | 12.5% |
| Amaranth | 1,270 | 7 | 7 | 100.0% |
| Magenta | 1,273 | 9 | 8 | 88.9% |
| Fuchsia | 1,327 | 7 | 1 | 14.3% |
| Violet | 1,367 | 7 | 2 | 28.6% |
| Concord | 1,432 | 9 | 5 | 55.6% |
| Eminence | 1,433 | 9 | 5 | 55.6% |
| Imperial | 1,433 | 9 | 9 | 100.0% |
| Amethyst | 1,405 | 7 | 7 | 100.0% |
| Lavender | 1,592 | 1 | 0 | 0.0% |
| Wisteria | 1,593 | 9 | 8 | 88.9% |
| Orchid | 1,759 | 7 | 7 | 100.0% |
| Garnet | 1,433 | 7 | 1 | 14.3% |
| Ruby | 1,514 | 7 | 6 | 85.7% |
| Crimson | 1,591 | 7 | 7 | 100.0% |
| Scarlet | 1,612 | 9 | 6 | 66.7% |
| Three Bedroom Apartments | | | | |
| Amber | 2,022 | 9 | 9 | 100.0% |
| Total Independent Living Units⁽¹⁾ | | 189 | 131 | 69.3% |

Source: Management

(1) As of April 11, 2017, 129 Depositors have reserved 131 units out of a total of 189 proposed Independent Living Units at the Community.

Independent Depositor Confirmation

An independent confirmation process was performed by Dixon Hughes Goodman LLP through the mailing of a questionnaire and electronic surveys to the 129 Depositors (reserving 131 Independent Living Units) as of March 31, 2017. As of April 11, 2017, 124 of the 129 Depositors (96 percent) had completed the questionnaire. The following information was compiled for the 124 completed questionnaires.

- 124 (100 percent) of the respondents indicated that they had paid a Deposit for their Independent Living Unit.
- 123 (99 percent) indicated that they intend to reside at the Community and one (one percent) was unsure.
- 38 (31 percent) indicated that they expect to reside alone and 86 (69 percent) indicated that they expect to reside with a spouse.
- 115 (93 percent) indicated that they currently own their home. Thirty-seven (32 percent) of the 115 respondents who own their home indicated that they expect to use the proceeds from the sale of their home to pay the balance of their Entrance Fee upon moving into the Community.
- 13 (10 percent) of the respondents indicated they had reserved an independent living unit or were on a waiting list of another community.

The following table indicates which communities the respondents have placed a deposit as well as the amount of the deposit.

Table 29
Deposits at Other Communities

| Community | Location | Number of Respondents | Amount of Deposit | | | | Amount not specified |
|---------------------------------|----------------|-----------------------|-------------------|---------------------|----------------------|-----------------------|----------------------|
| | | | Less than \$5,000 | \$5,000 to \$25,000 | \$25,000 to \$50,000 | Greater than \$50,000 | |
| Traditions ⁽¹⁾ | Dallas, TX | 3 | 3 | — | — | — | — |
| Traditions at Prestonwood | Dallas, TX | 1 | 1 | — | — | — | — |
| Highland Springs | Dallas, TX | 2 | 1 | 1 | — | — | — |
| Texas Masonic Retirement Center | Arlington, TX | 1 | — | — | — | — | 1 |
| Edgemere | Dallas, TX | 2 | — | 2 | — | — | — |
| Kissing Tree | San Marcos, TX | 1 | 1 | — | — | — | — |
| Sagewood | Phoenix, AZ | 1 | — | — | — | 1 | — |
| Did not indicate | — | 2 | — | — | — | — | 2 |
| Total | | 13 | 6 | 3 | — | 1 | 3 |

Source: Questionnaire responses

(1) Three respondents did not indicate which Traditions location a deposit was placed.

See Independent Accountant's Examination Report

The following table indicates how respondents intend to pay the balance of their Entrance Fee:

Table 30
Payment on Balance of Entrance Fee

| | Number of Respondents | Percentage of Respondents |
|---|----------------------------------|--------------------------------------|
| Using cash reserves or savings | 20 | 16.1% |
| Using proceeds from the sale of investments | 4 | 3.2% |
| Using proceeds from the sale of home | 17 | 13.7% |
| Some combination of the above | 81 | 65.3% |
| Other/did not respond | 2 | 1.7% |
| Total | 124 | 100.0% |

Source: Questionnaire responses

Respondents indicated the following as to how soon they intended to move into their Independent Living Unit after it becomes available:

Table 31
Move-ins After Unit Becomes Available

| | Number of Respondents | Percentage of Respondents |
|-----------------------|----------------------------------|--------------------------------------|
| 1 – 30 days | 62 | 50.0% |
| 31 – 60 days | 27 | 21.8% |
| 61 – 90 days | 5 | 4.0% |
| Upon the sale of home | 20 | 16.1% |
| Other/did not respond | 10 | 8.1% |
| Total | 124 | 100.0% |

Source: Questionnaire responses

Respondents indicated their primary reason(s) for choosing the Community were as follows:

Table 32
Community Suitability

| | Number of Respondents⁽¹⁾ | Percentage of Respondents |
|------------------------------------|--|--------------------------------------|
| Access to health care | 102 | 82.3% |
| Geographic location | 101 | 81.5% |
| Proximity to friends and relatives | 84 | 67.7% |
| Reputation of Buckner | 83 | 66.9% |
| Social activities | 56 | 45.2% |
| Other/no response | 15 | 12.1% |

Source: Questionnaire responses

(1) Respondents were given the option of choosing more than one reason for choosing the Community.

Depositor File Vouching

Dixon Hughes Goodman LLP read Management's policies and procedures for accepting Depositors and confirmed that each Depositor met Management's criteria. Dixon Hughes Goodman LLP performed the following procedures regarding the 129 Depositors (131 Independent Living Units) for the Community:

- Confirmed 100 percent to have a Reservation Agreement executed by both the Depositor(s) and the Obligor;
- Confirmed 100 percent to include copies of a deposit check equal to the Entrance Fee Deposit for the selected Independent Living Unit and plan;
- Confirmed 100 percent that the amount of the Entrance Fee and the Monthly Fee matched the Independent Living Unit and plan selected; and
- Based on reported income and asset levels, confirmed that 100 percent of the Depositors either met Management's asset and income qualification test, or displayed sufficient financial resources as approved by Management.

In addition to the above, Dixon Hughes Goodman LLP reconciled the Entrance Fee Deposits to an escrow account statement through March 31, 2017.

The following table presents information regarding the self-reported net worth (including home values) before payment of the Entrance Fee and estimated annual income of the 129 Depositors (131 Independent Living Units) as of April 11, 2017.

Table 33
Reported Annual Income and Net Worth of Depositors

| Annual Income | Net Worth | | | | | Total | Percent of Total |
|---------------------------|---------------------------|-----------------------|----------------------------|----------------------------|-------------------------|--------|------------------|
| | Information Not Available | Less than \$2,000,000 | \$2,000,000 to \$3,999,999 | \$4,000,000 to \$7,999,999 | \$8,000,000 and greater | | |
| Information Not Available | 3 | — | — | — | — | 3 | 2.3% |
| Less than \$100,000 | — | 9 | 10 | 7 | 2 | 28 | 21.7% |
| \$100,000 to \$149,999 | — | 6 | 22 | 5 | 2 | 35 | 27.1% |
| \$150,000 to \$199,999 | — | 3 | 8 | 8 | 4 | 23 | 17.8% |
| \$200,000 to \$249,999 | — | — | 3 | 4 | 3 | 10 | 7.8% |
| \$250,000 and greater | — | — | 3 | 12 | 15 | 30 | 23.3% |
| Total ⁽¹⁾ | 3 | 18 | 46 | 36 | 26 | 129 | 100.0% |
| Percent of Total | 2.3% | 13.9% | 35.7% | 27.9% | 20.2% | 100.0% | |

Source: Depositor applications

- (1) The median net asset amount of the 129 Depositors (131 Independent Living Units) who reported their financial information is approximately \$3,981,000 and the median annual income amount is approximately \$150,000.

Description and Utilization of Assisted Living

Assisted living facilities located in Texas are required to be licensed and regulated by the Texas Department of Aging and Disability Services (“TDADS”), under the Code, Chapter 247 and Texas Administrative Code Title 40, Part 1, Chapter 92. The TDADS defines an assisted living facility as a personal care facility that provides services to four or more persons unrelated to the owner. Facility types range from adult foster homes to large retirement centers. Services provided must include food, shelter, assisted living services, minor treatment under the direction/supervision of a physician and other services that meet a specific need of the residents.

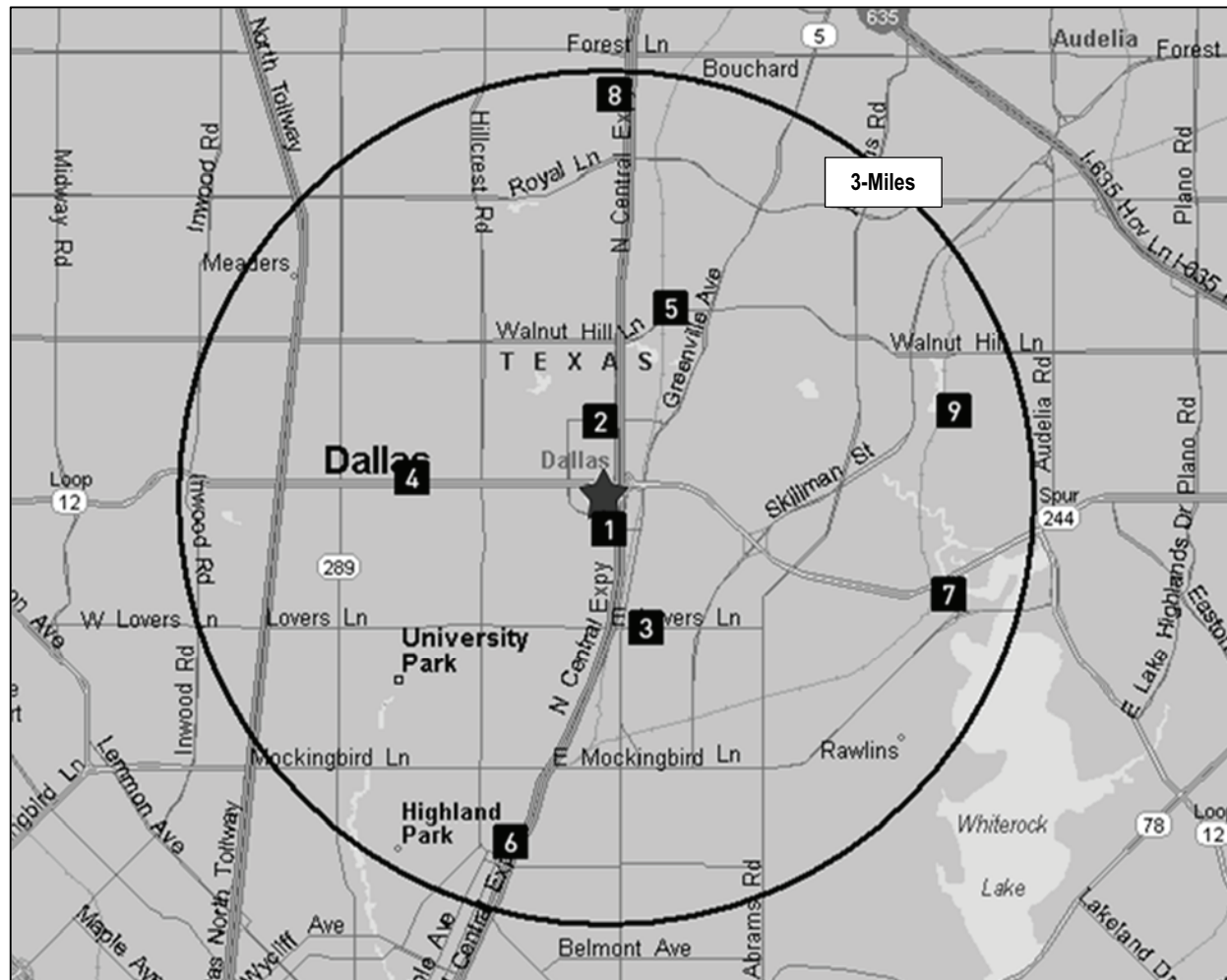
Assisted living services are defined as any activity or care provided by the facility that assists the resident with meals, dressing, movement, bathing or other personal needs or maintenance; the administration of medication or the assistance with or supervision of medication; or general supervision or oversight of the physical and mental well-being of a person who needs assistance to maintain a private and independent residence in the facility or who needs assistance to manage his personal life, regardless of whether a guardian has been appointed for the person.

All facilities offering the above services are required to be licensed by the TDADS as a Type A facility or a Type B facility. Facilities with designated memory support units must be licensed as a Type B facility. Currently, there is no Certificate of Need (“CON”) requirement for facilities offering assisted living or personal care services in Texas.

The Assisted Living Units and Memory Support Units are assumed to be licensed under the assisted living guidelines of the TDADS. Management does not consider adult foster or “group care” homes or assisted living facilities with less than 20 units or lower fee structures comparable to the Community.

The primary market area for assisted living services is assumed to be a three-mile radius surrounding the Community (the “HC PMA”).

The following map shows the Community, the HC PMA and nine comparable assisted living communities within the HC PMA.



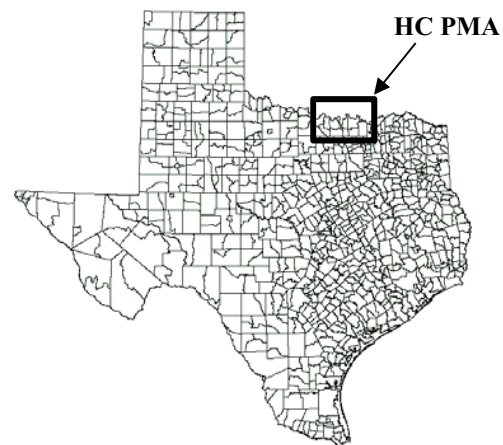
Legend

- The HC PMA
- ★ The Community

Existing Assisted Living Communities within the HC PMA

- 1 – Caruth Haven Court
- 2 – The Forum at Park Lane
- 3 – The Tradition – Lovers Lane
- 4 – Edgemere
- 5 – Walnut Place
- 6 – Monticello West
- 7 – C.C. Young
- 8 – Crystal Creek at Preston Hollow
- 9 – Brookdale White Rock

Texas



Source: Microsoft MapPoint and MapInfo

See Independent Accountant's Examination Report

Existing Comparable Assisted Living Facilities

The following table identifies the nine comparable existing assisted living facilities located within the HC PMA and summarizes the number of units, square footage, occupancy and current monthly fees of the comparable facilities based on surveys conducted through March 2017.

Table 34
Comparable Assisted Living Facilities within the HC PMA

| Facility Name | Miles from the Community | Year Opened | Number of Assisted Living Units | Number of Memory Support Units | Square Footage | Occupancy Percentage | Assisted Living Monthly Fees | Memory Support Monthly Fees | Level of Care Fees |
|--|--------------------------|-------------|---------------------------------|--------------------------------|----------------|----------------------|------------------------------|-----------------------------|--|
| The Community | — | 2019 | 38 | 26 | 462 – 893 | — | \$4,991 – 6,593 | \$6,593 | I: \$0 II: \$707 II: \$1,414 |
| <i>Communities in the HC PMA</i> | | | | | | | | | |
| Caruth Haven Court | 0.8 | 1999 | 90 | — | 376 – 850 | 99% | \$4,845 – 7,065 | — | I: \$500 II: \$800 III: \$1,100 |
| The Forum at Park Lane | 1.3 | 1990 | 28 | — | 275 – 659 | 100% | \$3,255 – 5,580 | — | I: \$500 II: \$940 III: \$1,105 IV: \$1,325 |
| The Tradition – Lovers Lane | 1.4 | 2015 | 85 | 24 | 261 – 993 | 85% | \$4,995 – 7,495 | \$6,395 | I: \$750 II: \$1,250 |
| Edgemere | 1.8 | 2001 | 60 | 31 | 251 – 667 | 95% | \$6,668 – 8,294 | \$6,895 – 7,899 | I: \$465 |
| Walnut Place | 2.1 | 1980 | 48 | 30 | 236 – 345 | 100% | \$3,525 – 5,200 | \$4,000 – 5,900 | — |
| Monticello West | 3.0 | 1980 | 88 | 50 | 315 – 1,025 | 85% | \$3,495 – 6,095 | \$4,295 – 5,195 | I: \$700+ II: \$1,450+ |
| C.C. Young | 3.2 | 1922 | 75 | 40 | 309 – 782 | 88% | \$3,275 – 6,550 | \$4,800 – 6,100 | — |
| Crystal Creek at Preston Hollow | 4.2 | 2001 | 45 | — | 319 – 1,000 | 90% | \$3,550 – 5,550 | — | I: \$525 II: \$775 III: \$1,300 |
| Brookdale White Rock | 4.5 | 1990 | — | 30 | 350 – 550 | 98% | — | \$4,810 – 5,995 | See note |
| Total Number of Units (excluding the Community) | | | 519 | 205 | | | | | |
| Weighted Average Occupancy | | | | | | 92% | | | |

Source: Management and surveys conducted by Dixon Hughes Goodman LLP through March 2017.

Notes to Table:

The Community

- (1) The Monthly Fees shown for the Community are for direct admissions and have been deflated three percent annually from 2019 rates to reflect 2017 dollars for purposes of comparison.
- (2) The Monthly Fee for the Memory Support Units is all-inclusive.

Caruth Haven Court

- (1) A community fee of \$1,500 is required upon move-in.
- (2) The second person monthly fee is \$800.

The Forum at Park Lane

- (1) The Forum at Park Lane is currently undergoing renovations to its existing community including dining areas and common spaces.
- (2) Medication management is available for \$330 to \$440 per month.

The Tradition – Lovers Lane

- (1) A community fee of \$3,000 is required upon move-in to the assisted living and memory support units.
- (2) The second person monthly fee in the assisted living units is \$900.
- (3) The monthly fee for the memory units is all-inclusive.

Edgemere

- (1) Edgemere is currently undergoing an expansion and renovation project that is expected to result in the net increase of eight new assisted living units, 11 memory support units and 15 nursing beds as well as a new parking garage and a new performing arts center. In addition, the community is undergoing a renovation of existing common areas for the independent living units and health center, including the dining rooms, theater, spa and wellness center, arts and crafts room, card room, multipurpose room and administrative spaces. The expansion and renovation project is expected to be completed in late 2017.
- (2) The monthly fees for the memory support units is all-inclusive.

Walnut Place

- (1) The second person monthly fee for the traditional assisted living units is \$1,450.

Monticello West

- (1) Additional levels of care shown are for the traditional assisted living units. One additional level of care is available in the memory support unit for \$750 per month.
- (2) Enhanced assisted living (Level I) ranges from \$700 to \$1,000 per month. Expanded assisted living (Level II) ranges from \$1,450 to \$1,750 per month.

C.C. Young

- (1) The community is currently undergoing an renovation and replacement project to include the addition of 45 new assisted living units, 48 new memory support units and 128 new nursing beds as well as an adult day care center and underground parking. The 40 existing memory support units and 117 existing nursing beds are to be demolished. Upon completion of the project, the community will include 120 assisted living units, 47 memory support units and 128 nursing beds with an anticipated opening date in late 2018.
- (2) There is a second person monthly fee of \$780 for the assisted living units.
- (3) The monthly fee for the assisted living units is all-inclusive.
- (4) Two additional levels of care are available in the memory support units for the following monthly fees: Level I is \$400 and Level II is \$700.

*Notes to Table (continued)***Crystal Creek at Preston Hollow**

- (1) The second person monthly fee is \$1,450
- (2) Companion suites are available for \$2,895 to \$2,995 per month.

Brookdale White Rock

- (1) A community fee of \$2,000 is required upon move-in to the memory support units.
- (2) Additional care is available on an a la carte basis. Management of Brookdale White Rock indicated an assessment conducted by the on-site nurse would be required in order to estimate additional fees.
- (3) Companion suites are available for \$3,600 per month per person.

Planned Assisted Living Developments in the HC PMA

Based on discussions with representatives of the local planning agencies and interviews with existing assisted living facilities and retirement communities, other than the Community, there are three new start-up assisted living and/or memory support projects with a combined total of 274 planned units and two communities planning assisted living and/or memory support expansions with a total of 112 planned expansion units in the HC PMA.

Start-Up Projects

Adora Midtown Park, approximately two miles north of the Community near the Texas Health Presbyterian Hospital, is expected to include 61 assisted living units and 158 rehabilitation nursing beds. The assisted living rooms are expected to be configured in neighborhoods with private rooms. The project is expected to be completed in fall 2017.

Harbor Chase of the Park Cities, approximately three miles west of the Community, is a proposed assisted living and memory support community currently under construction. The community, which is being developed by Silverstone Healthcare Company, is expected to include 105 assisted living units and 29 memory support assisted living units. The community is expected to be available for occupancy in late 2017.

Legacy Senior Communities, the owner and operator of The Legacy Willow Bend profiled earlier in the report, is planning to construct a new CCRC to be known as “The Legacy at Midtown Park.” The Legacy at Midtown Park, approximately three miles north of the Community between Meadow Road and Royal Lane near US-75, is expected to include 130 independent living apartments, 45 assisted living apartments, 34 memory support suites and 40 skilled nursing beds. The project is expected to open in 2019.

Expansion Projects

Edgemere, approximately two miles west of the Community, is currently undergoing an expansion project that is expected to result in the net increase of eight new assisted living units, 11 memory support units and 15 nursing beds as well as a new parking garage and a new performing arts center. In addition, the community is undergoing a renovation of existing common areas for the independent living units and health center, including the dining rooms, theater, spa and wellness center, arts and crafts room, card room, multipurpose room and administrative spaces. The expansion and renovation project is expected to be completed in late 2017.

C.C. Young, approximately three miles east of the Community, is currently undergoing a renovation and replacement project to include the addition of 45 new assisted living units, 48 new memory support units and 128 new nursing beds as well as an adult day care center and underground parking. The 40 existing memory support units and 117 existing nursing beds are to be demolished. Upon completion of the project, the community will include 120 assisted living units, 47 memory support units and 128 nursing beds with an anticipated opening date in late 2018.

Assisted Living Penetration Analysis

Income characteristics have been applied to determine a range of market penetration rates for age qualified and age- and income-qualified individuals. The income qualification is determined, in part, by Management's assumption that potential residents with lower income levels will utilize alternative sources of income from family members as well as the "spend down" or proceeds from an asset base to pay for the cost of their care.

The following are two sources that contain information about the cost of assisted living care, the income and asset levels of assisted living residents and the sources that assisted living residents use to pay for their care:

- The *2009 Overview of Assisted Living*, a collaborative research project by the American Association of Homes and Services for the Aging (now known as LeadingAge), American Seniors Housing Association ("ASHA"), Assisted Living Foundation of America ("ALFA"), the National Center for Assisted Living ("NCAL") and the National Investment Center ("NIC") that includes survey data from approximately 500 assisted living communities throughout the United States and personal data from 518 residents of the surveyed communities.
- "Costs and Concerns Among Residents in Seniors Housing and Care Communities: Evidence from *The Residents Financial Survey*," published in April 2012 by the Center for Retirement Research at Boston College. *The Residents Financial Survey* was designed to measure the income and assets of individuals in freestanding independent living ("IL"), freestanding assisted living ("AL") and communities that offer both IL and AL. Nearly two thirds of the 2,617 respondents resided in assisted living accommodations.

Table 35**Financial Resources of Assisted Living Residents**

| 2009 Overview of Assisted Living | | | | |
|---|------------------------|---------------|------------------------|-------------|
| | 25th | Median | 75th | Mean |
| Annual Income at Arrival | \$11,472 | \$18,972 | \$36,000 | \$27,260 |
| Asset Value, including home equity | \$62,000 | \$205,000 | \$564,000 | \$431,020 |
| Asset Value, excluding home equity | \$26,125 | \$125,000 | \$337,274 | \$238,924 |

| The Residents Financial Survey | | |
|---------------------------------------|------------------------|-----------------------------|
| Annual Income Range | Freestanding AL | AL in Combined IL/AL |
| Less than \$24,000 | 39.9% | 34.2% |
| \$24,000 - \$36,000 | 24.6% | 17.8% |
| \$36,000+ | 35.5% | 48.0% |

| Total Net Worth | | |
|-------------------------|-------|-------|
| Less than \$100,000 | 47.0% | 46.4% |
| \$100,000 - \$500,000 | 33.3% | 30.2% |
| \$500,000 - \$1,000,000 | 12.8% | 12.9% |
| \$1,000,000+ | 6.9% | 10.5% |

Source: *2009 Overview of Assisted Living* and *The Residents Financial Survey*

The 2009 Overview of Assisted Living also reported that between 10 and 15 percent of residents in assisted living and assisted living/memory support facilities participating in the survey relied on family to contribute to their cost of care as the primary income source and that between 15 percent and 35 percent of residents participating in the survey relied on family to contribute to their cost of care as a secondary income source.

According to The Residents Financial Survey, approximately 25 percent of residents in freestanding assisted living facilities rely on contributions from family as a secondary income source and approximately 80 percent of residents who cannot afford the cost of care with using their personal income will spend down their assets to pay for their care.

Based on the information above and depending on the type of market in which the assisted living services are provided, Dixon Hughes Goodman LLP typically considers seniors age 75 and older with annual income \$25,000 and higher and homeowners earning between \$15,000 and \$24,999 to be age- and income-qualified (“\$25,000 Income Qualification”) for the purpose of calculating assisted living penetration rates.

The following table presents the 2017 estimated and 2022 projected household income distribution for householders 75 and older in the PMA for the \$25,000 Income Qualification.

| Table 36 | | |
|--|-------------------------|-------------------------|
| Income Eligible Households for Assisted Living Services within the HC PMA | | |
| | 75+ | |
| | 2017 (Estimated) | 2022 (Projected) |
| Total Households: | 6,644 | 7,523 |
| <u>Household Income</u> | | |
| Under \$15,000 | 1,021 | 1,025 |
| Renters \$15,000 – \$24,999 | 536 | 528 |
| Homeowners \$15,000 – \$24,999 | 501 | 492 |
| Total Under \$25,000 | 2,058 | 2,045 |
| \$25,000 – \$34,999 | 814 | 876 |
| \$35,000 – \$49,999 | 844 | 973 |
| \$50,000 – \$74,999 | 877 | 951 |
| \$75,000 – \$99,999 | 501 | 631 |
| \$100,000+ | 1,551 | 2,046 |
| Total \$25,000+ | 4,587 | 5,477 |
| Total Assisted Living Income Eligible Households⁽¹⁾ | 5,088 | 5,969 |
| Percentage of Assisted Living Income Eligible Households | 76.6% | 79.3% |

Source: The Nielsen Company

- (1) Age and income eligible households include households (age 75 and over) with income over \$25,000 and homeowners (age 75 and over) with income between \$15,000 and \$24,999 annually.

The following table compares the percentage of assisted living age- and income-qualified households (age 75 and older with annual income of \$25,000 or greater and homeowners with annual incomes between \$15,000 and \$24,999) to total households age 75 and older within the HC PMA, Texas and the United States.

Table 37
Comparison of Assisted Living Age- and Income-Qualified Households – 2017 and 2022

| Percentage of Age- and Income-Qualified Households to Total Households | HC PMA | Texas | United States |
|---|---------------|--------------|----------------------|
| Year 2017 | 76.6% | 71.1% | 72.7% |
| Year 2022 | 79.4% | 73.4% | 74.4% |

Source: The Nielsen Company

Assisted Living Penetration Analysis

The increased size of the private paying frail elderly market has in recent years attracted providers to develop new and creative options for caring for this population. There have been few barriers to entering this market, since existing regulations generally do not restrict or limit supply. Methodologies for projecting bed need or demand for assisted living vary. The Department does not have a methodology for determining the need for assisted living units.

Research studies have identified impairment levels in activities of daily living (“ADL”) such as dressing, bathing, eating, toileting, mobility and taking medications, and instrumental activities of daily living (“IADL”) such as meal preparation, home maintenance, shopping and personal finance, all of which generally are used to measure levels of functioning and estimate the care needs of a specific population. The decision by elderly persons to enter an assisted living facility to meet their need for assistance often depends on alternatives available and is somewhat more discretionary than the decision to enter a nursing care facility, according to industry research studies.

Population data and income statistics may be utilized to some extent to estimate the number of qualified households (75+) for assisted living services, yet should not be relied upon entirely as a measure of success for a facility. The amount of cross subsidization that occurs between adult caregivers (assumed to be those households aged 45 to 64 earning in excess of \$75,000 annually) and their relatives may provide the financial means for a non-income-qualified senior to afford this level of care. Additionally, non-income-qualified seniors may have an asset base that would provide the financial means to afford this level of care.

The following table estimates the number of age- and income-qualified individuals living alone and requiring assistance with ADLs in the HC PMA. Estimates of the percentage of households requiring assistance and the percentage living alone are based on the 2010 Census.

| Table 38 | | | |
|---|-------------|-------------|-------------|
| Estimated Number of Age 75+ Assisted Living Eligible Individuals in the HC PMA Years 2017, 2019 and 2022 | | | |
| | 2017 | 2019 | 2022 |
| Estimated Age–Eligible Households ⁽¹⁾⁽²⁾ | 6,644 | 6,995 | 7,523 |
| Estimated Age– and Income–Qualified Households ⁽¹⁾⁽³⁾ | 5,088 | 5,440 | 5,969 |
| Percentage Requiring Assistance ⁽⁴⁾ | 25.3% | 25.3% | 25.3% |
| Percentage Living Alone ⁽⁵⁾ | 49.3% | 49.3% | 49.3% |
| Estimated Number of Age–Eligible Individuals⁽¹⁾⁽²⁾ | 830 | 874 | 940 |
| Estimated Number of Age– and Income–Qualified Individuals⁽¹⁾⁽³⁾ | 636 | 680 | 746 |

Source: The Nielsen Company

(1) Based on 2017 estimated and 2022 projected population statistics as provided by The Nielsen Company.

(2) Age eligible includes age 75 and over.

(3) \$25,000 Income Qualification includes households with annual incomes of \$25,000 and over and homeowners with income between \$15,000 and \$24,999 annually.

(4) Percentage requiring assistance is a weighted average of the percentage of the population requiring assistance with activities of daily living as determined by the U.S. Census Bureau (Source: U.S. Census Bureau, Americans with Disabilities: 2010, p.5, Washington, DC, July 2012) and the age- and income-qualified households within the HC PMA.

(5) Based on The Nielsen Company demographic estimates.

Assisted Living Project Penetration Rate

The Project Penetration Rate is the percentage of estimated age- and income-qualified households within the HC PMA that need to move into the Assisted Living Units and Memory Support Units in order for the Community to achieve expected occupancy levels. The following table presents project penetration rates for assisted living services.

| Table 39 | | |
|---|---|--|
| Assisted Living Project Penetration Rate – 2019 | | |
| | Age- Qualified Individuals | \$25,000 Income Qualification |
| Number of Qualified Individuals | 874 | 680 |
| Number of Individuals in Existing Comparable Units by 2019 ⁽¹⁾ | 671 | 671 |
| Total Qualified Individuals (b) | 1,545 | 1,351 |
| Number of Assisted Living Units and Memory Support Units at the Community^{(2)(a)} | 42 | 42 |
| Project Penetration Rates for the HC PMA (a/b) | 2.7% | 3.1% |

Source: Management and The Nielsen Company

- (1) Reflects 724 existing assisted living and memory support units in the HC PMA and the 307 planned assisted living and memory support units in the HC PMA expected to be available for occupancy in 2019 assuming that approximately 70 percent have originated from the HC PMA and an assumed occupancy rate of 93 percent (671 units). Because Legacy at Midtown does not open until 2019, they are excluded from the number of individuals in existing comparable units by 2019.
- (2) Reflects the 38 Assisted Living Units and 26 Memory Support Units assuming 70 percent originate from the HC PMA and assuming 93 percent occupancy (42 units).

Assisted Living Market Penetration Rate

The assisted living market penetration rate is presented as the percentage of age- and income-qualified individuals that the total market has absorbed or must absorb for the entire market to achieve stabilized occupancy. The assisted living market penetration rate is calculated by dividing the total number of assisted living units within the HC PMA by the total number of age- and income-qualified individuals residing within the HC PMA.

The following table presents market penetration rates for assisted living services.

Table 40
Assisted Living Market Penetration Rates

| | Age-Qualified Individuals | | \$25,000 Income Qualification | |
|---|------------------------------|--------------|----------------------------------|--------------|
| | 2017 | 2022 | 2017 | 2022 |
| Number of Qualified Individuals | 830 | 940 | 636 | 746 |
| Number of Individuals in Existing Comparable Units ⁽¹⁾ | 471 | 471 | 471 | 471 |
| Total Qualified Individuals (b) | 1,301 | 1,411 | 1,107 | 1,217 |
| Number of Individuals in Existing Comparable Units ⁽¹⁾ | 471 | 471 | 471 | 471 |
| Number of Planned Assisted Living Units and Memory Support Units at the Community ⁽²⁾ | — | 42 | — | 42 |
| Number of Other Planned Units in the HC PMA ⁽³⁾ | — | 251 | — | 251 |
| Total Units, Including the Community (a) | 471 | 764 | 471 | 764 |
| Market Penetration Rate for the HC PMA (a/b) | 36.2% | 54.1% | 42.5% | 62.8% |

Source: Management and The Nielsen Company

- (1) Reflects 724 existing assisted living and memory support units in the HC PMA assuming that approximately 70 percent have originated from the HC PMA and an assumed occupancy rate of 93 percent (471 units).
- (2) Reflects the 38 Assisted Living Units and 26 Memory Support Units assuming 70 percent originate from the HC PMA and assuming 93 percent occupancy (42 units).
- (3) Reflects 386 planned assisted living and memory support units in the HC PMA assuming that approximately 70 percent have originated from the HC PMA and an assumed occupancy rate of 93 percent (251 units).

Description and Utilization of Nursing

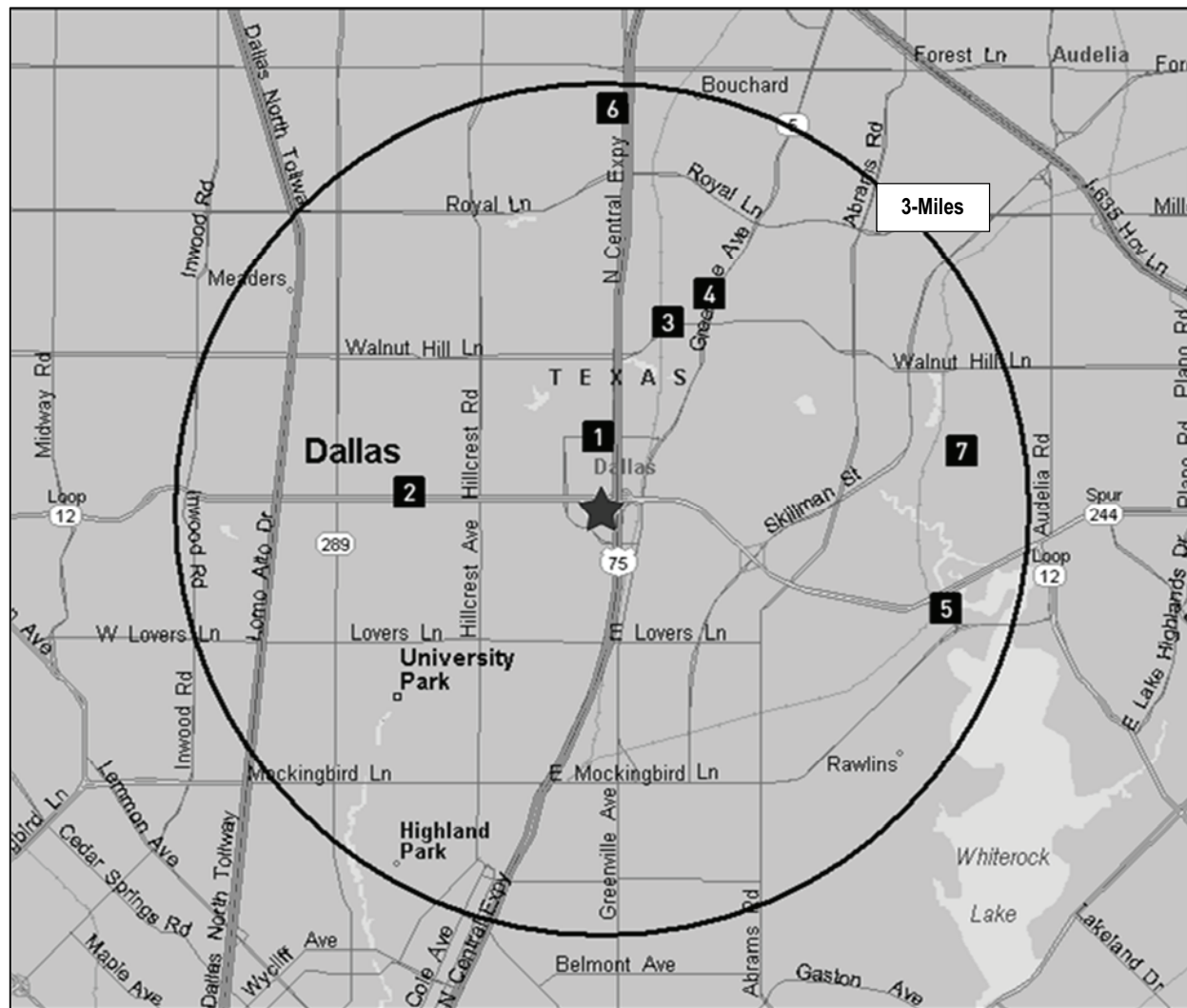
TDADS is responsible for licensure and certification of nursing facilities in Texas. Nursing facilities are defined under the Code, Chapter 242 and Texas Administrative Code Title 40, Part 1, Chapter 19 as facilities that provide organized and structured nursing care and related services to residents who require medical and/or nursing care.

Licensed nursing providers wishing to participate in Medicare and/or Medicaid programs must be certified and maintain compliance with certification regulations according to Titles XVIII and/or XIX of the Social Security Act. State-owned ICF-MR/RC facilities and skilled hospital units are also required to be certified in order to participate in Medicare and/or Medicaid.

Currently, there is no CON requirement for nursing facilities in the State of Texas.

For informational purposes, the primary market area skilled nursing services is assumed to be the same HC PMA defined for the Assisted Living Units and Memory Support Units.

The following map shows the Community, the HC PMA and seven comparable nursing facilities within the PMA.



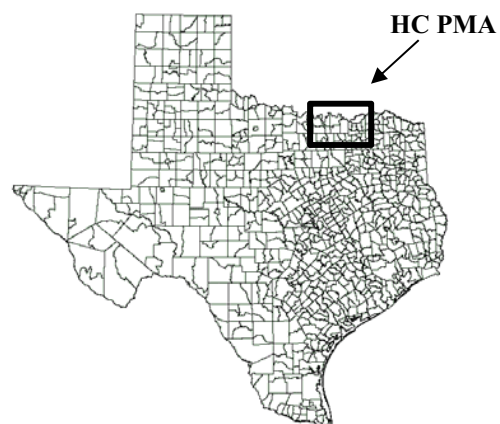
Legend

- The HC PMA
- ★ The Community

Existing Nursing Facilities within the HC PMA

- 1 – The Forum at Park Lane
- 2 – Edgemere
- 3 – Walnut Place
- 4 – Meadows Health and Rehabilitation Center
- 5 – C.C. Young
- 6 – Crystal Creek at Preston Hollow
- 7 – Diversicare of Lake Highlands

Texas



Source: Microsoft MapPoint and MapInfo

See Independent Accountant's Examination Report

Existing Comparable Nursing Facilities

The following table summarizes the number of nursing beds, daily charges and occupancy rates of the nursing care providers located within the HC PMA. Management has identified seven comparable existing nursing facilities with 1,156 beds within the HC PMA.

Table 41
Nursing Facilities in the HC PMA

| | Driving Miles from the Community | Year Opened | Total Nursing Beds | Unit Mix | | | Daily Fees | | Overall Medicare Star Rating |
|---|--|----------------|--------------------------|----------|------------------|---------------------|-------------|------------------|------------------------------------|
| | | | | Private | Semi- Private | Percent Occupied | Private | Semi- Private | |
| The Community | — | 2019 | 72 | 72 | — | — | \$325 | — | — |
| The Forum at Park Lane | 1.3 | 1968 | 53 | 53 | — | 99% | \$231 | — | ★★★★★ |
| Edgemere | 1.8 | 2002 | 72 | 72 | — | 96% | \$344 - 404 | — | ★★★★★ |
| Walnut Place | 2.1 | 1980 | 308 | 60 | 248 | 95% | \$230 | \$185 | ★★★★★ |
| Meadows Health & Rehabilitation Center | 2.4 | 2000 | 184 | 20 | 164 | 63% | \$289 | \$189 | ★★★ |
| C.C. Young | 3.2 | 1922 | 117 | 47 | 70 | 85% | \$269 | \$199 | ★★★★★ |
| Crystal Creek at Preston Hollow | 4.2 | 2001 | 142 | 60 | 82 | 85% | \$241 | \$165 | ★★★ |
| Diversicare of Lake Highlands | 4.8 | 1980 | 280 | n/a | n/a | 80% | \$185 | \$165 | ★★★ |
| Total/Weighted Average (excluding the Community) | | | 1,156 | | | 84% | | | |

Source: Management, www.medicare.gov, and surveys conducted by Dixon Hughes Goodman LLP through March 2017.

n/a = not available

Notes to Table:**The Community**

- (1) The Monthly Fees shown for the Community are for direct admissions and have been deflated three percent annually from 2019 rates to reflect 2017 dollars for purposes of comparison.

Edgemere

- (1) Edgemere is currently undergoing an expansion project that is expected to include eight new assisted living units, 11 memory support units and 15 nursing beds as well as a new parking garage and a new performing arts center. The expansion is expected to be completed in late 2017.

Meadows Health and Rehabilitation Center

- (1) The community would not provide occupancy information. Occupancy shown above is per www.medicare.gov.

C.C. Young

- (1) The community is currently undergoing a renovation and replacement project to include the addition of 45 new assisted living units, 48 new memory support units and 128 new nursing beds as well as an adult day care center and underground parking. The 40 existing memory support units and 117 existing nursing beds are to be demolished. Upon completion of the project, the community will include 120 assisted living units, 47 memory support units and 128 nursing beds (including four semi-private beds and 124 private beds) with an anticipated opening date in late 2018.

Planned Nursing Developments in the HC PMA

Based on discussions with representatives of the local planning agencies and interviews with existing nursing facilities and retirement communities, other than the Community, there are four projects planning to build nursing beds in the HC PMA.

Adora Midtown Park, approximately two miles north of the Community near the Texas Health Presbyterian Hospital, is expected to include 61 assisted living units and 158 rehabilitation nursing beds. The assisted living rooms are expected to be configured in neighborhoods with private rooms. The project is expected to be completed in fall 2017.

Edgemere, approximately two miles west of the Community, is currently undergoing an expansion project that is expected to include eight new assisted living units, 11 memory support units and 15 nursing beds as well as a new parking garage and a new performing arts center. The expansion is expected to be completed in late 2017.

C.C. Young, approximately three miles east of the Community, is currently undergoing a renovation and replacement project to include the addition of 45 new assisted living units, 48 new memory support units and 128 new nursing beds as well as an adult day care center and underground parking. The 40 existing memory support units and 117 existing nursing beds are to be demolished. Upon completion of the project, the community will include 120 assisted living units, 47 memory support units and 128 nursing beds (including four semi-private beds and 124 private beds) with an anticipated opening date in late 2018.

Legacy Senior Communities, the owner and operator of The Legacy Willow Bend profiled earlier in the report, is planning to construct a new CCRC to be known as "The Legacy at Midtown Park." The Legacy at Midtown Park, approximately three miles north of the Community between Meadow Road and Royal Lane near US-75, is expected to include 130 independent living apartments, 45 assisted living apartments, 34 memory support suites and 40 skilled nursing beds. The project is expected to open in 2019.

Summary of Significant Accounting Policies(a) Basis of Accounting

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

(b) Deferred Costs

The marketing costs incurred by the Obligor in connection with acquiring initial Resident contracts of the Independent Living Units are capitalized and amortized on a straight-line basis over a period approximating the average life expectancy of the initial residents occupying the Independent Living Units.

Financing costs associated with the issuance of the proposed Series 2017 Bonds are assumed to be capitalized and amortized using the straight-line method over the term of the related debt. Management has implemented ASU No. 2015-03 "Interest – Imputation of Interest" and simplified the presentation of debt issuance costs. Under the new Standard, the debt issuance costs are netted against the related debt on the balance sheet and the amortization is included in interest expense on the statement of operations.

(c) Property, Equipment and Depreciation Expense

Property and equipment are recorded at cost. Depreciation expense is calculated on the straight-line method over the estimated useful lives of depreciable assets. The cost of maintenance and repairs is charged to operations as incurred, whereas significant renewals and betterments are capitalized.

(d) Assets Limited as to Use

Assets limited as to use are assumed to be carried at fair value, which, based on the nature of the underlying securities, is assumed to approximate historical cost. Management assumes no material changes in fair values that result in material net realized or unrealized gains or losses during the forecast period.

(e) Investment Income

Investment income, other than that capitalized as part of Community costs, is reported as operating revenue unless restricted by donor or law. Management has not forecasted any unrealized gains or losses on investments.

(f) Costs of Borrowing

Net interest cost incurred on borrowed funds related to the Community during the period of construction is capitalized as a component of the cost of acquiring those assets.

(g) Deferred Revenue from Entrance Fees

The non-refundable portion of Entrance Fees received are recorded as deferred revenue and are recognized as operating income using the straight-line method over the estimated remaining life expectancy of the residents in the Independent Living Units, adjusted annually as determined by actuarial life expectancy tables.

(h) Refundable Entrance Fees

Refundable Entrance Fees received are deferred and the refundable portion of the Entrance Fee is maintained as a liability, reflecting the Obligor's future obligation for repayment.

(i) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid securities with an original maturity of three months or less when purchased.

See Independent Accountant's Examination Report

(j) Taxes

Management has included a provision for property taxes or payment in lieu of property taxes.

(k) Obligation to Provide Future Service

Management calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from Entrance Fees. The obligation to provide future services to residents represents the estimated net future costs to serve residents, net of revenue from those Residents, who were parties to a Residency Agreement on the Obligor's fiscal year end. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded. For purposes of the forecast, no provision for future service obligations is assumed to be required during the forecast period.

(l) Tax-Exempt Status

The Obligor is a nonprofit organization exempt from federal income and excise taxes under section 501(c)3 of the Internal Revenue Code, and is classified as other than a private foundation.

Summary of Revenue and Entrance Fee Assumptions*Independent Living Revenue*

Independent living monthly service fee revenue is based upon charges for services provided to Residents of the Independent Living Units and upon the assumed occupancy and the Monthly Fees of the respective units. Management assumes the Independent Living Units Monthly Fees are to increase 4.0 percent on January 1, 2021 and on January 1, 2022, and 3.0 percent increase beginning January 1, 2023 and annually thereafter.

Independent living service fees revenue also consists of revenues related to the additional resident meals, transportation services, guest apartment rentals, and other miscellaneous revenues. These revenues are assumed to increase 3.0 percent annually throughout the forecast period.

The Independent Living Units are assumed to achieve and maintain a 95 percent occupancy level by June 2022 and remain at that level throughout the forecast period. The following table summarizes the assumed occupancy of the Independent Living Units.

| Table 42 | | | |
|--|-----------------------------------|------------------------------------|------------------------------|
| Utilization of the Independent Living Units | | | |
| Years ended December 31, | Average Units Occupied | Average Units Available | Average Occupancy |
| <i>Forecasted:</i> | | | |
| 2019 ⁽¹⁾ | 20.1 | 189 | 10.6% |
| 2020 | 113.7 | 189 | 60.2% |
| 2021 | 155.4 | 189 | 82.2% |
| 2022 | 177.0 | 189 | 93.7% |
| 2023 | 179.6 | 189 | 95.0% |

Source: Management

(1) The Independent Living Units are to be available for occupancy in July 2019 and fill to a 95.0 percent occupancy level over a 36-month period at an average of approximately 5.0 units per month.

The double occupancy percentage in the Independent Living Units is assumed to be 55 percent of occupied units in fiscal year 2019, declining to 44 percent in fiscal year 2023, as provided by Continuing Care Actuaries (the “Actuary”).

Residents are assumed to begin moving into the Independent Living Units in July 2019. The following table summarizes the assumed move-in pattern for the Independent Living Units.

Table 43
Monthly Move-in Pattern (Net of Move-Outs) Independent Living Units

| Fiscal Year/Month | Monthly Total | Cumulative Total | Cumulative Percentage ⁽¹⁾ |
|--------------------------|----------------------|-------------------------|---|
| FY 2019 | | | |
| July | 12.0 | 12.0 | 6.3% |
| August | 16.0 | 28.0 | 14.8% |
| September | 16.0 | 44.0 | 23.3% |
| October | 11.0 | 55.0 | 29.1% |
| November | 10.0 | 65.0 | 34.4% |
| December | 10.0 | 75.0 | 39.7% |
| FY 2020 | | | |
| January | 10.0 | 85.0 | 45.0% |
| February | 9.0 | 94.0 | 49.7% |
| March | 8.0 | 102.0 | 54.0% |
| April | 6.0 | 108.0 | 57.1% |
| May | 4.0 | 112.0 | 59.3% |
| June | 4.0 | 116.0 | 61.4% |
| July | 4.0 | 120.0 | 63.5% |
| August | 4.0 | 124.0 | 65.6% |
| September | 4.0 | 128.0 | 67.7% |
| October | 4.0 | 132.0 | 69.8% |
| November | 4.0 | 136.0 | 72.0% |
| December | 3.0 | 139.0 | 73.5% |
| FY 2021 | | | |
| January | 3.0 | 142.0 | 75.1% |
| February | 3.0 | 145.0 | 76.7% |
| March | 3.0 | 148.0 | 78.3% |
| April | 3.6 | 151.6 | 80.2% |
| May | 3.0 | 154.6 | 81.8% |
| June | 2.0 | 156.6 | 82.9% |
| July | 2.0 | 158.6 | 83.9% |
| August | 2.0 | 160.6 | 85.0% |
| September | 2.0 | 162.6 | 86.0% |
| October | 2.0 | 164.6 | 87.1% |
| November | 2.0 | 166.6 | 88.1% |
| December | 2.0 | 168.6 | 89.2% |
| FY 2022 | | | |
| January | 2.0 | 170.6 | 90.3% |
| February | 2.0 | 172.6 | 91.3% |
| March | 2.0 | 174.6 | 92.4% |
| April | 2.0 | 176.6 | 93.4% |
| May | 1.9 | 178.5 | 94.4% |
| June | 1.1 | 179.6 | 95.0% |
| Total | 179.6 | | 95.0% |

Source: Management

(1) Cumulative occupancy based on 189 Independent Living Units.

Assumed Independent Living Turnover

The assumed turnover for the Independent Living Units due to death, withdrawal or transfer to the Health Care Center has been based, in part, on the report of the Actuary.

Refunds of Entrance Fees are generated upon death or termination of the Residency Agreement. The Entrance Fee is to be refunded to the Resident (without interest and less applicable fees) upon the later of (1) 10 days after the receipt of sufficient proceeds to fully fund the refund obligation from the re-sale and occupancy of any Independent Living Unit or (2) termination of the Residency Agreement. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community, but has permanently transferred to the Health Care Center. The assumed number of refunds for the Independent Living Units is provided by the Actuary.

The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fee refunds.

Table 44
Initial and Turnover Entrance Fee Receipts and Total Entrance Fee Refunds
(In thousands)

| | For the Year Ending December 31, | | | | | | |
|---|----------------------------------|------|----------|-----------|-----------|-----------|-----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Number of Entrance Fees Received (Initial) | - | - | 75.0 | 64.0 | 29.6 | 11.0 | - |
| Entrance Fees Received (Initial) | - | - | \$55,252 | \$47,532 | \$22,167 | \$8,270 | - |
| Number of Entrance Fees Received (Attrition) | - | - | 0.52 | 3.55 | 7.63 | 10.32 | 12.24 |
| Entrance Fees Received (Attrition) | - | - | \$419 | \$2,932 | \$6,481 | \$9,031 | \$11,032 |
| Entrance Fees Refunded | - | - | \$(219) | \$(1,558) | \$(3,127) | \$(4,366) | \$(5,133) |
| Entrance Fees Received, Net of Refunds | - | - | \$55,452 | \$48,906 | \$25,521 | \$12,935 | \$5,899 |

Source: Management and the Actuary

Assisted Living Revenue

Assisted Living Units and Memory Support Units Monthly Fees are based on the assumed occupancy of the respective units and are generated from services provided to Residents transferring from the Independent Living Units, as well as direct admissions from the local surrounding area. Management assumes the Assisted Living Units and Memory Support Units Monthly Fees are to increase 1.50 percent on January 1, 2020, 4.0 percent on January 1, 2021 and January 1, 2022, and 3.0 percent beginning January 1, 2023 and annually thereafter.

The Assisted Living Units and Memory Support Units are assumed to achieve and maintain approximately 93 percent occupancy level beginning in June 2021 and April 2021, respectively, and remain at those levels throughout the forecast period.

The following table summarizes the assumed utilization of the Assisted Living Units and Memory Support Units.

Table 45
Utilization of Assisted Living Units and Memory Support Units

| Year Ending December 31, | <u>Assisted Living Units</u> | | | <u>Memory Support Units</u> | | | Total Occupancy ⁽³⁾ | |
|-----------------------------|------------------------------|-------------------------------|----------------------|------------------------------|-------------------------------|----------------------|--------------------------------|-------|
| | Average Units Occupied | Average Units Available | Average Occupancy | Average Units Occupied | Average Units Available | Average Occupancy | | |
| <i>Forecasted</i> | | | | | | | | |
| 2019 ⁽¹⁾ | 3.0 | 38.0 | 7.8% | 2.3 | 26 | 8.8% | 5.3 | 8.3% |
| 2020 ⁽²⁾ | 28.0 | 38.0 | 73.7% | 19.8 | 26 | 76.2% | 47.8 | 74.7% |
| 2021 | 34.9 | 38.0 | 91.8% | 24.0 | 26 | 92.3% | 58.9 | 92.0% |
| 2022 | 35.3 | 38.0 | 93.0% | 24.2 | 26 | 93.0% | 59.5 | 93.0% |
| 2023 | 35.3 | 38.0 | 93.0% | 24.2 | 26 | 93.0% | 59.5 | 93.0% |

Source: Management

- (1) The Assisted Living Units and Memory Support Units are assumed to be available for occupancy in September 2019.
- (2) The Assisted Living Units and Memory Support Units are anticipated to fill over a 22-month and 20-month period at an average of 1.6 units and 1.2 units per month, achieving 93 percent occupancy by June 2021 and April 2021, respectively.
- (3) The number of Residents permanently transferring from the Independent Living Units are provided by the Actuary and are estimated to be 0.1 average Residents in fiscal year 2019; 1.0 average Residents in fiscal year 2020; 3.5 average Residents in fiscal year 2021, 7.2 average Residents in fiscal year 2022 and 11.1 average Residents in fiscal year 2023.

Nursing Revenue

Nursing service fees are based on the assumed occupancy of the Skilled Nursing Beds and are generated from services provided to residents transferring from the Independent Living Units as well as direct admissions from the local surrounding area. Daily Fees for the Private Pay Skilled Nursing Beds are to increase 1.50 percent on January 1, 2020, 4.0 percent on January 1, 2021 and January 1, 2022, and 3.0 percent beginning January 1, 2023 and annually thereafter. Daily Fees for the Medicare Skilled Nursing Beds are to increase at an average of 0.75 percent on January 1, 2020 and 3.0 beginning January 1, 2021 and annually thereafter.

The Skilled Nursing Beds are assumed to achieve and maintain a 92 percent occupancy level in August 2021 and remain at that level throughout the forecast period. The following table summarizes the assumed utilization of the Skilled Nursing Beds by payor type.

Table 46
Utilization of the Skilled Nursing Beds

| | Average Beds Occupied | | | | | |
|------------------------------|------------------------|-------------|----------|-------|------------------------|----------------------|
| Years Ending December 31, | Life Care Residents | Private Pay | Medicare | Total | Avg. Beds Available | Average Occupancy |
| <i>Forecasted</i> | | | | | | |
| 2019 ⁽¹⁾ | 0.1 | 2.1 | 1.1 | 3.3 | 72 | 4.6% |
| 2020 | 1.1 | 24.8 | 12.9 | 38.8 | 72 | 53.9% |
| 2021 | 3.7 | 38.5 | 21.1 | 63.4 | 72 | 88.0% |
| 2022 | 7.6 | 36.5 | 22.1 | 66.2 | 72 | 91.9% |
| 2023 | 11.8 | 32.3 | 22.1 | 66.2 | 72 | 91.9% |

Source: Management and the Actuary

(1) The Skilled Nursing Beds are assumed to be available for occupancy in September 2019 and fill to stabilized occupancy of 92 percent over a 24 month period at an average of approximately 2.8 beds per month.

Investment Income

Management assumes an average annual rate of return of 1.25 percent annually on the Obligor's cash and investment accounts. Based upon information provided by the Ziegler Capital Management, Management has assumed average annual rates of return of 1.55 percent on the Project Fund, Funded Interest Fund, Series 2017A Bonds Debt Service Reserve Fund and the Series 2017C Bonds Debt Service Reserve Fund; 2.10 percent on the Series 2017B-1 Bonds Debt Service Reserve Fund, 2.00 percent on the Series 2017B-2 Bonds Debt Service Reserve Fund; and 1.85 percent on the Series 2017B-3 Bonds Debt Service Reserve Fund.

Other Revenue

Other revenue is generated from additional resident meals and snacks, guest meals, guest apartment rentals, barber and beauty fees, and other miscellaneous sources. Additionally, it includes nursing ancillary revenue related to therapies, medical supplies, and other billable ancillary services. These revenues are assumed to increase 3.0 percent annually throughout the forecast period.

Charity Care Revenue

The Obligor anticipates receiving an exemption from property taxes based on the applicable Texas Statute §11.1801. The Community will be required to provide 4.0 percent of annual gross revenues as charitable care to its residents.

Summary of Expense Assumptions

Operating expenses are estimated based upon the historical experience of Management. Staff salaries and wages are based on its historical experience and prevailing local salary and wage rates. Salary and wage costs are assumed to increase 3.0 percent annually throughout the forecast period. The cost of employee fringe benefits, consisting primarily of payroll taxes, health insurance and other costs are assumed to approximate 20.0 percent of salaries and wages throughout the forecast period.

The following table summarizes the staffing levels during the forecast period for all departments.

| Table 47 | |
|---|--------------|
| Schedule of Staffing Levels (FTE's) – Fiscal Year 2023 | |
| Department | Total |
| General & Administrative | 13.3 |
| Marketing | 4.0 |
| Housekeeping and Laundry | 18.0 |
| Building & Maintenance | 8.1 |
| Dining | 46.5 |
| Nursing | 60.2 |
| Assisted Living & Memory Support | 26.2 |
| Activities | 5.5 |
| Transportation | 1.0 |
| Total FTE's | 182.8 |

Source: Management

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

Assets Limited as to Use

In connection with the Series 2017 Bonds, the following funds and accounts are assumed to be maintained upon issuance:

- (1) Assets Limited as to Use, current, contain the bond principal and interest payments to be used for payment of debt service on the Series 2017 Bonds debt service.
- (2) Project Fund, gross funded at closing from a portion of the Series 2017 Bonds proceeds, is to be used to pay for construction and related costs for the Community.
- (3) Funded Interest Fund, net funded from the Series 2017 Bonds proceeds, is to be used to fund 31 months of interest related to the Series 2017 Bonds.
- (4) Debt Service Reserve Fund – Series 2017 Bonds is assumed to be funded with proceeds to be received from the closing of the Series 2017 Bonds. The Series 2017 Debt Service Reserve Funds associated with each series of the Series 2017 Bonds is assumed to be released and available to pay debt service in the year that the respective series of the Series 2017 Bonds are repaid in full. Deposits into the Debt Service Reserve Fund are to include the following:
 - \$12,515,000 for the Debt Service Reserve Fund for the Series 2017A Bonds;
 - \$1,196,000 for the Debt Service Reserve Fund for the Series 2017B-1 Bonds;
 - \$1,196,000 for the Debt Service Reserve Fund for the Series 2017B-2 Bonds;
 - \$2,056,000 for the Debt Service Reserve Fund for the Series 2017B-3 Bonds; and,
 - \$207,000 for the Debt Service Reserve Fund for the Series 2017C Bonds.
- (5) Working Capital Fund, to be initially funded with approximately \$24,000,000 of initial Entrance Fees received, of which \$2,525,000 will be applied to Development Consulting Fees, \$1,500,000 will be applied to Entrance Fee incentives and discounts and the remaining balance is assumed to be applied to pay operating expenses for the Community, Entrance Fee refunds, or construction costs to the extent that other moneys are not available. Upon the repayment of the Series 2017B and Series 2017C Bonds, stabilized occupancy of the Independent Living Units, and assuming no events of default have occurred, any amounts remaining on deposit in the Working Capital Fund shall be released.
- (6) Operating Reserve Fund, to be initially funded with approximately \$6,500,000 of initial Entrance Fees received, is to be available to make up deficiencies, if any, in the Project Fund; pay Community operating, marketing and pre-opening expenses; and pay debt service on the Series 2017 Bonds, to the extent that other moneys are not available.

Property and Equipment and Depreciation Expense

Management estimates that the Obligor is assumed to incur routine capital additions during the forecast period that will be capitalized as property and equipment. Depreciation expense is computed based on the straight-line method for buildings and equipment over the estimated average useful lives of the related assets. The Obligor's property and equipment costs, net of accumulated depreciation, during the forecast period are summarized in the table below.

Table 48
Schedule of Property and Equipment
(In Thousands)

| Years Ending December 31, | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Property and equipment, gross Beginning Balance | \$9,920 | \$63,848 | \$160,164 | \$201,958 | \$203,796 | \$204,996 | \$205,746 |
| Project costs | 45,719 | 82,688 | 35,634 | 1,688 | 1,000 | 500 | - |
| Capitalized Interest | 8,209 | 13,628 | 6,060 | - | - | - | - |
| Routine capital additions | - | - | 100 | 150 | 200 | 250 | 300 |
| Property and equipment, gross | 63,848 | 160,164 | 201,958 | 203,796 | 204,996 | 205,746 | 206,046 |
| Accumulated depreciation | - | - | (2,596) | (7,835) | (13,111) | (18,414) | (23,736) |
| Property and equipment, net Ending Balance | \$63,848 | \$160,164 | \$199,362 | \$195,961 | \$191,885 | \$187,332 | \$182,310 |

Source: Management

Long-Term Debt and Interest Expense*The Bank Loan*

The Obligor entered into the Bank Loan to finance pre-development costs of the Community with a maturity date of October 31, 2017. As of December 31, 2016, approximately \$14,943,000 of the Bank Loan had been drawn upon. Additional draws upon the Bank Loan, up to \$16,000,000, are assumed prior the closing of the Series 2017 Bonds. The Bank Loan is anticipated to be redeemed upon the closing of the Series 2017 Bonds.

The Series 2017 Bonds

The Obligor intends to issue the Series 2017 Bonds to redeem the Bank Loan and pay for the Community construction and other related costs.

The Series 2017 Bonds are assumed to consist of:

- \$152,235,000 of non-rated tax-exempt fixed rate Series 2017A Bonds;
- \$82,750,000 of non-rated fixed rate Tax Exempt Mandatory Paydown Securities Series 2017B Bonds (TEMPSSM); and
- \$3,395,000 of non-rated fixed rate Taxable Mandatory Paydown Securities Series 2017C Bonds (Taxable MPS).

The Series 2017A Bonds are assumed to consist of \$152,235,000 of non-rated, tax-exempt fixed rate term bonds with an assumed interest rate of 7.15 percent per annum. Interest on the Series 2017A Bonds is to be payable May 15 and November 15 of each year beginning November 15, 2017. Principal on the Series 2017A Bonds is to be paid annually commencing November 15, 2024 with a final maturity on November 15, 2052.

The Series 2017B Bonds are assumed to consist of \$82,750,000 of non-rated, tax-exempt fixed rate TEMPSSM, which are assumed to be issued with an assumed interest rate of 5.375 percent per annum. Interest on the Series 2017B Bonds is to be payable May 15 and November 15 of each year beginning November 15, 2017. The Series 2017B Bonds consist of \$22,250,000 of Series 2017B-1 Bonds (TEMPS-80SM) anticipated to be redeemed in full by approximately 80 percent initial occupancy of the Independent Living Units by approximately August 1, 2021; \$22,250,000 of Series 2017B-2 Bonds (TEMPS-65SM) anticipated to be redeemed in full by approximately 65 percent initial occupancy of the Independent Living Units by approximately November 1, 2020; and \$38,250,000 of Series 2017B-3 Bonds (TEMPS-50SM) anticipated to be redeemed in full by approximately 50 percent initial occupancy of the Independent Living Units by approximately May 1, 2020.

The Series 2017C Bonds are assumed to consist of \$3,395,000 of non-rated, taxable fixed rate Taxable MPS, which are assumed to be issued with an assumed interest rate of 5.375 percent per annum. Interest on the Series 2017C Bonds is to be payable May 15 and November 15 of each year beginning November 15, 2017. The Series 2017C Bonds are assumed to be repaid in full by February 1, 2020.

Principal on the Series 2017B Bonds and the Series 2017C Bonds is anticipated to be repaid from a portion of the initial Entrance Fees assumed to be available from residents moving into the Independent Living Units.

The following table presents the forecasted annual debt service during the forecast period and thereafter.

Table 49
Schedule of Annual Debt Service
(in thousands of dollars)

| Year Ending December 31, | The Series 2017 Bonds | | |
|-----------------------------|-----------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2017 | \$ - | \$ 7,327 | \$ 7,327 |
| 2018 | - | 15,515 | 15,515 |
| 2019 | 2,145 | 15,511 | 17,656 |
| 2020 | 65,760 | 13,595 | 79,355 |
| 2021 | 18,240 | 11,273 | 29,513 |
| 2022 | - | 10,885 | 10,885 |
| 2023 | - | 10,885 | 10,885 |
| Thereafter | 152,235 | 222,245 | 374,480 |
| Total | \$ 238,380 | \$ 307,236 | \$ 545,616 |

Source: The Underwriter

Current Assets and Current Liabilities

Operating expenses exclude amortization, depreciation, other non-cash expenses and interest expense. Operating revenues include Monthly Fees and Daily Fees. Working capital components have been estimated based on industry standards and Management's historical experience as follows:

Table 50
Working Capital – Days on Hand

| | | |
|---------------------------------------|----|-------------------------|
| Accounts receivable | 30 | days operating revenues |
| Prepaid expenses and other assets | 15 | day operating expenses |
| Inventory | 1 | day operating expenses |
| Accounts payable and accrued expenses | 30 | days operating expenses |
| Accrued payroll and employee benefits | 14 | days operating expenses |

Source: Management

**INDEPENDENT ACCOUNTANTS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Directors
Buckner Senior Living, Inc.
Dallas, Texas

Our examination of the financial forecast presented in the preceding section of this document was made for the purpose of forming an opinion on whether the financial forecast is presented in conformity with AICPA guidelines for the presentation of a forecast and that the underlying assumptions provide a reasonable basis for the forecast. The study was undertaken to evaluate the Obligor's ability to generate sufficient funds to meet its operating expenses, working capital needs and other financial requirements, including the debt service requirements based on Management's assumptions of future operations of the Obligor. However, future events could occur which could adversely affect the financial forecast of the Obligor and its ability to meet debt service requirements. These factors include, among others, legislation and regulatory action, changes in assumptions concerning occupancy, the rate of entrance fee producing unit turnover, per diem rates, financing and operating costs.

The accompanying supplemental analysis is presented for purposes of additional analysis and is not a required part of the financial forecast nor considered an all-inclusive list. Such information has not been subjected to procedures applied in the examination of the financial forecast and, accordingly, we express no opinion or any other form of assurance on it.

Dixon Hughes Goodman LLP

Atlanta, Georgia
April 13, 2017

Sensitivity Analysis I – Occupancy

Occupancy rates can vary depending upon economic conditions, the competitive environment and Management’s ability to execute the marketing and sales plan. Residents are to begin moving into the Independent Living Units in July 2019 and the Health Care Center in September 2019. Management expects the Memory Support Units and Assisted Living Units to achieve and maintain a 93 percent occupancy level by April 2021 and June 2021, respectively, the Skilled Nursing Beds to achieve and maintain a 92 percent occupancy level by August 2021 and the Independent Living Units to achieve and maintain a 95 percent occupancy level by June 2022.

Sensitivity Analysis IA

The period of time it takes to achieve and maintain stabilized occupancy could be longer than Management assumes. The data presented in the table below demonstrates the impact of an extension in the assumed move-in period of the Independent Living Units from 36 months to 60 months.

Sensitivity Analysis IB

The data presented in the table below provides a “Breakeven Analysis” assuming a proportionally lower stabilized occupancy of the Independent Living Units such that a 1.00x Maximum Annual Debt Service Coverage Ratio is achieved in fiscal year 2023. In the Sensitivity IB Breakeven Analysis, the Independent Living Units stabilized occupancy was reduced to “Breakeven” while occupancy in the Health Care Center remained as originally forecasted. For purposes of this analysis, certain fixed operating expenses, staffing expenses and forecasted repayment of the Series 2017 Bonds have not been adjusted for reductions of the occupancy of the Independent Living Units.

Sensitivity Analysis IC

The data presented in the table below provides a “Breakeven Analysis” assuming the Health Care Center stabilized occupancies were reduced such that a 1.00x Maximum Annual Debt Service Coverage Ratio is achieved in fiscal year 2023. In the Sensitivity IC Breakeven Analysis, the Health Care Center stabilized occupancies were reduced to “Breakeven” while occupancy in the Independent Living Units remained as originally forecasted. For purposes of this analysis, certain fixed operating expenses, staffing expenses and forecasted repayment of the Series 2017 Bonds have not been adjusted for reductions of the occupancy of the Health Care Center.

Table 51
Sensitivity Analysis – I
Estimated Financial Information
For the Year Ending December 31, 2023

| | As Forecasted | Sensitivity IA ⁽¹⁾⁽²⁾ | Sensitivity IB ⁽¹⁾ | Sensitivity IC ⁽¹⁾ |
|---|---------------|----------------------------------|-------------------------------|-------------------------------|
| <i>Independent Living Units:</i> | | | | |
| Months of Move-in Period | 36 months | 60 months | 36 months | 36 months |
| Stable Occupancy Achieved | June 2022 | June 2024 | June 2022 | June 2022 |
| Occupancy at December 31, 2023 | 95.0% | 92.1% | 74.9% | 95.0% |
| Average Move-ins per Month | 5.00 | 3.0 | 3.9 | 5.00 |
| <i>Health Care Center:</i> | | | | |
| Occupancy at December 31, 2023 | 92.4% | 92.4% | 92.4% | 64.9% |
| Max. Annual Debt Service Coverage Ratio | 1.36x | 1.24x | 1.00x | 1.00x |
| Annual Debt Service Coverage Ratio | 1.56x | 1.42x | 1.15x | 1.15x |
| Days Cash on Hand | 608 | 117 | 94 | 448 |
| Cash to Debt Ratio | 0.40x | 0.14x | 0.13x | 0.31x |

Source: Management

- (1) For purposes of the sensitivity analysis, occupancy of the Independent Living Units or Health Care Center units/beds were modified without a corresponding adjustment to certain fixed operating expenses, staffing expenses or repayment of the Series 2017 Bonds.
- (2) For purposes of the sensitivity, the Independent Living Units are estimated to reach stabilized occupancy of 95.0% in June 2024, which is outside of the forecast period.

Sensitivity Analysis II – Entrance Fee Cash Flow Predictability

Actual net Entrance Fee cash flow receipts from turnover may vary from Management's assumptions included in the forecast. Estimates regarding turnover of the Independent Living Units are based on average age, percentage of couples, morbidity tables, assumed transfer rates to other levels of care, the historical experience of Management and estimates from the Actuary. Assumptions regarding the timing of Entrance Fee refunds and pricing are also subject to variances. Accordingly, the following analyses have been presented for the purpose of demonstrating the significance of entrance fee cash flow assumptions on the financial forecast.

Sensitivity Analysis IIA

The data presented in the table below is provided to demonstrate the impact of assuming no turnover Entrance Fee cash flow receipts or refunds in the stabilized year of 2023.

Sensitivity Analysis IIB

Entrance Fee pricing is sensitive to housing prices and other economic conditions. The data presented in the table below are provided to demonstrate the impact of assuming a 25 percent reduction in turnover Entrance Fees received, while maintaining the assumed Entrance Fee refunds.

Table 52
Sensitivity Analysis – II
Estimated Financial Information
For the Year Ending December 31, 2023
(In Thousands, Except for Ratios)

| | As Forecasted | Sensitivity IIA ⁽¹⁾ | Sensitivity IIB ⁽¹⁾⁽²⁾ |
|---|---------------|-----------------------------------|-----------------------------------|
| Turnover Entrance Fees Received | \$11,032 | - | \$8,274 |
| Entrance Fee Refunds Paid | \$(5,133) | - | \$(5,133) |
| Net Entrance Fees Received | \$5,899 | - | \$3,141 |
| Max. Annual Debt Service Coverage Ratio | 1.36x | 0.89x | 1.13x |
| Annual Debt Service Coverage Ratio | 1.56x | 1.02x | 1.30x |
| Days Cash on Hand | 608 | 531 | 510 |
| Cash to Debt Ratio | 0.40x | 0.36x | 0.35x |

Source: Management

- (1) For purposes of the sensitivity analysis, the assumed schedule for the repayment of debt remains as originally forecasted.
- (2) The sensitivity in the liquidity ratios is due to the 25 percent reduction in turnover Entrance Fees received in each of the forecasted years.

Sensitivity Analysis III – Expense and Revenue Control

Management assumes operating expenses increase over time, with a corresponding ability to increase per monthly or daily rates and charges. Management's ability to raise revenues may vary from the forecast assumptions. Management has assumed certain operating revenues would increase four percent in January 1, 2020 and January 1, 2021 and three percent annually thereafter. Additionally, Management has assumed expenses would increase three percent beginning January 1, 2019, and annually thereafter.

The data presented in the table below are provided to demonstrate the impact on the overall financial performance of the Obligor assuming the operating expense inflation increases from three percent to four percent while maintaining the assumed operating revenue inflation increases.

Table 53
Sensitivity Analysis – III
Estimated Financial Information
For the Year Ending December 31, 2023

| | As Forecasted | Sensitivity III |
|--|---------------|-----------------|
| Annual Inflation Percentage – Operating Expenses | 3.0% | 4.0% |
| Max. Annual Debt Service Coverage Ratio | 1.36x | 1.29x |
| Annual Debt Service Coverage Ratio | 1.56x | 1.48x |
| Days Cash on Hand ⁽¹⁾ | 608 | 562 |
| Cash to Debt Ratio ⁽¹⁾ | 0.40x | 0.38x |

Source: Management

(1) For purposes of the sensitivity analysis, the assumed schedule for the repayment of debt remains as originally forecasted.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

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DEFINITION OF CERTAIN TERMS

Summarized below are definitions of certain words and terms used in this Official Statement. Any documents referred to in the following definitions include any modifications, amendments or supplements thereto from time to time made in accordance with the provisions of such documents. Words and terms that are capitalized in this Official Statement, whether or not defined below or elsewhere herein, are qualified by reference to the meanings assigned in the Master Indenture, the Bond Indenture or the Loan Agreement, as applicable, unless a different meaning clearly appears from the context.

"Accountant" means an independent certified public accountant, or an independent firm of certified public accountants, who or which does not devote his or its full time to any Member or its Affiliates (but who or which may be regularly retained by a Member or its Affiliates).

"Act" means, (i) when used with respect to any Holder of Obligations, any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Master Indenture to be given or taken by Holders of Obligations evidenced by one or more instruments of substantially similar tenor signed by such Holders of Obligations in person or by agent duly appointed in writing; and, except as otherwise expressly provided in the Master Indenture, such action shall become effective when such instrument or instruments are delivered to the Master Trustee, and, where it is hereby expressly required, to the Obligated Group Representative. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders of Obligations signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of unregistered Obligations, shall be sufficient for any purpose of the Master Indenture and conclusive in favor of the Master Trustee and the Obligated Group Members, if made in the manner provided in the Master Indenture; and (ii) when used with respect to the enabling statute, the Cultural Education Facilities Finance Corporation Act, Article 1528m, V.A.T.C.S., as amended.

"Additional Bonds" means the one or more series of additional bonds authorized to be issued by the Issuer under the Bond Indenture.

"Additional Indebtedness" means Indebtedness incurred by any Member subsequent to the issuance of the Series 2017 Notes.

"Additional Obligation" means any evidence of Indebtedness or evidence of any repayment obligation under any Interest Rate Agreement issued after the issuance of the Series 2017 Notes, which is authorized to be issued by an Obligated Group Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to the Master Indenture.

"Administration Expenses" means the reasonable and necessary fees and expenses incurred by the Issuer pursuant to the Loan Agreement and the Bond Indenture.

"Affiliate" (i) when used in the Master Indenture, of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; or (ii) when used in the Bond Indenture, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Affiliate Development Fees" means any development fee with respect to the Facilities owed by the Obligor to an Affiliate of the Obligor.

"Annual Budget" means the annual operating and capital budget of the Obligated Group required to be provided by the Obligated Group Representative pursuant to the Master Indenture.

"Authorized Denominations" means, with respect to the Series 2017 Bonds, the denomination of \$5,000 or any integral multiple thereof and, with respect to any series of Additional Bonds, as provided in the supplemental indenture creating such series of Additional Bonds.

"Balloon Indebtedness" means Funded Indebtedness, of which 25% or more of the original principal amount of which matures during any consecutive twelve month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve month period. Balloon Indebtedness does not include Indebtedness that otherwise would be classified as Put Indebtedness.

"Bond Fund" means the Fund by that name established by the Bond Indenture.

"Bond Indenture" means the Indenture of Trust dated as of May 1, 2017, between the Issuer and the Bond Trustee relating to the Series 2017 Bonds.

"Bond Trustee" means UMB Bank, N.A., or any successor or assign thereof pursuant to the Bond Indenture.

"Bondholder," "Bondowner," "Bond Owner," "Owner," when used with respect to a Bond, means the Person in whose name such Bond is registered.

"Bonds" means the Series 2017 Bonds and any Additional Bonds issued pursuant to the Bond Indenture.

"Book Value," when used with respect to Property of a Member, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member that have been prepared in accordance with generally accepted accounting principles, and when used with respect to Property of all Members, means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

"Business Day" means any day other than (i) a Saturday, a Sunday or, in the City of New York, New York, or in Dallas, Texas (or, if different, in the city in which the designated corporate trust office of the Master Trustee is located), a day on which banking institutions are authorized or required by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

"Capital Addition" means any addition, improvement, extension, alteration, relocation, enlargement, expansion, modification or replacement of or to the Facilities.

"Capitalized Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

"Capitalized Rentals" means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

"Cash and Investments" means the sum of cash, cash equivalents and, marketable securities of the Obligated Group Members, including without limitation board-designated assets, and amounts on deposit in the Operating Reserve Fund, Working Capital Fund and Entrance Fee Fund, but at all times excluding (a) any Related Bonds Debt Service Reserve Fund and other trustee-held funds other than those described above in this definition, (b) funds restricted by the donor to a use that would not permit the use of such funds to pay expenses or debt service on Indebtedness of the Obligated Group and (c) any funds pledged or otherwise subject to a security interest for debt other than the Obligations, as shown on the most recent audited or unaudited financial statements of the Obligated Group. For the purposes of calculations hereunder, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the Unrestricted Contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation.

"Cash to Indebtedness Ratio" means, as of any date of calculation, the number obtained by dividing (a) Cash and Investments plus any moneys held in any debt service reserve fund by (b) the aggregate principal amount of Funded Indebtedness Outstanding, but excluding the then current portion of the Debt Service Requirements of Funded Indebtedness.

"Closing Date" means, when used in the Bond Indenture, the date on which a series of Bonds is delivered to the purchaser or purchasers thereof and payment is received by the Bond Trustee.

"Code" means the Internal Revenue Code of 1986, as amended from time to time and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

"Commitment Indebtedness" means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Member, or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such Member, in either case which Indebtedness or Guaranty of such Member was incurred in accordance with the provisions of the Master Indenture, and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

"Completion Certificate" means a certificate of the Obligor stating that construction of the Project has been completed or terminated and the date of such completion or termination.

"Completion Date" means the date specified in the Completion Certificate as the date of completion or termination.

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

"Construction Consultant" means zumBrunner, Inc. or any successor or assign under the Disbursement Agreement.

"Construction Fund" means the construction fund created under the Bond Indenture and any construction fund created in connection with an issue of Additional Bonds under the Bond Indenture.

"Construction Index" means the most recent issue of the "Dodge Momentum Index for U.S. and Canadian Cities" with reference to the city in which the subject property is located (or, if such Index is not available for such city, with reference to the city located closest geographically to the city in which the subject property is located), or, if such Index is no longer published or used by the federal government in measuring costs under Medicare or Medicaid programs, such other index which is certified to be comparable and appropriate by the Obligated Group Representative in an Officer's Certificate delivered to the Master Trustee.

"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.

"Contributions" means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable fiscal year of such Person and any such contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person which are converted in such fiscal year to cash or marketable securities and deposited into the accounts of the Obligated Group.

"Cost of Issuance" means all costs and expenses incurred by the Issuer or the Obligor in connection with the issuance and sale of the Bonds, including without limitation (i) reasonable fees and expenses of accountants, attorneys, engineers, and financial advisors, (ii) materials, supplies, and printing and engraving costs, (iii) recording and filing fees and (iv) rating agency fees.

"Credit Facility" means any Liquidity Facility, letter of credit, bond insurance policy, standby purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Indebtedness of any Obligated Group Member.

"Crossover Date" means, with respect to Crossover Refunding Indebtedness, the date on which the principal portion of the Crossover Refunded Indebtedness is paid or redeemed, or on which it is anticipated that such principal portion will be paid or redeemed, from the proceeds of such Crossover Refunding Indebtedness.

"Crossover Refunded Indebtedness" means Indebtedness of a Person that is refunded by Crossover Refunding Indebtedness.

"Crossover Refunding Indebtedness" means Indebtedness of a Person issued for the purpose of refunding other Indebtedness of such Person if the proceeds of such Crossover Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable Crossover Date of the Crossover Refunded Indebtedness and earnings on such escrow deposit are required to be applied to pay interest or principal on either or both of such Crossover Refunding Indebtedness or such Crossover Refunded Indebtedness until the Crossover Date.

"Cumulative Cash Operating Loss" means, commencing with either (a) the first fiscal quarter ending after the Initial Occupancy Date if the Initial Occupancy Date is more than 30 days prior to the end of such fiscal quarter, or (b) the first full fiscal quarter ending after the Initial Occupancy Date if the Initial Occupancy Date is less than 30 days prior to the end of a fiscal quarter, an amount determined on a cumulative basis as (x) the sum of (i) resident service revenues (excluding amortization of Entrance Fees), (ii) other operating revenues, (iii) Unrestricted Contributions, (iv) Entrance Fees (excluding Initial Entrance Fees), and (v) investment earnings, less (y) the sum of (i) Entrance Fees refunded to residents and (ii) the aggregate of all operating expenses (including development fees) and capital expenditures which are not part of the construction, acquisition and equipping of the Facilities paid from moneys other than proceeds of the Series 2017 Bonds, but excluding (1) depreciation and amortization and other non-cash expenses including, without limitation, any Current Affiliate Management Fees deferred pursuant to the Master Indenture and Deferred Affiliate Management Fees, and (2) any cost, fee or expense paid from the proceeds of Series 2017 Bonds or interest earnings thereon.

"Current Affiliate Management Fees" means regularly scheduled periodic fees payable by the Obligor or any other Member of the Obligated Group pursuant to the Management Services Agreement, which are not deferred pursuant to such agreement.

"Current Value" means (a) with respect to Property, Plant and Equipment: (i) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Representative and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; minus the fair market value (as reflected in such most recent appraiser's report) of any Property, Plant and Equipment included in such report but disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus (ii) the Book Value of any Property, Plant and Equipment acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage

increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated, minus (iii) the Book Value of any such Property, Plant and Equipment acquired since the last such report but disposed of; and (b) with respect to any other Property, the fair market value of such Property.

"Days Cash on Hand" means, as of the date of calculation, the amount determined by dividing (a) the amount of Cash and Investments on such date by (b) the quotient obtained by dividing Expenses (including interest on Indebtedness but excluding provisions for bad debt amortization, depreciation or any other non-cash expenses) as shown on the most recent annual audited financial statements (or, with respect to any calculation of Days Cash on Hand as of any June 30, as reflected in the unaudited trailing twelve month financial statements for the period ending such June 30, as derived from the quarterly financial statements delivered pursuant to the Master Indenture, by 365.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness of each Person or a group of Persons with respect to which such requirements are calculated; provided that: (a) the amount of such payments for a future period shall be calculated in accordance with the assumptions contained in the Master Indenture; (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Funded Interest is available to pay such interest; (c) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; (d) principal of Indebtedness due in its final year shall be excluded from the determination of Debt Service Requirements to the extent moneys were initially deposited and are on deposit as of the date of calculation in a debt service reserve fund which required that moneys on deposit in the debt service reserve fund be used to pay a principal payment in the final year of such Indebtedness, and except for the payment to be received from such debt service reserve fund, the Indebtedness would have had approximately level debt service; and (e) principal of and interest on Qualified Intermediate Term Indebtedness shall be excluded.

"Defeasance Obligations" means:

(a) Direct obligations of the United States of America or obligations to the full and prompt payment of which the full faith and credit of the United States of America is pledged or evidences of ownership of proportionate interests in future interest and principal payments on such obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on such obligations, and which underlying obligations are not available to satisfy any claim of the custodian or any Person claiming through the custodian or to whom the custodian may be obligated; and

(b) Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

- (i) Federal Home Loan Bank System;
- (ii) Export-Import Bank of the United States;
- (iii) Federal Financing Bank;
- (iv) Government National Mortgage Association;
- (v) Farmers Home Administration;
- (vi) Federal Home Loan Mortgage Company;
- (vii) Federal Housing Administration;
- (viii) Federal National Mortgage Association;

(ix) Any other agency or instrumentality of the United States of America created by an Act of Congress which is substantially similar to the foregoing in its legal relationship to the United States of America; and

(c) Obligations described in section 103(a) of the Code, provision for the payment of the principal of (and premium, if any) and interest on which shall have been made by the irrevocable deposit at least 123 days preceding the date of determination with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of money, or obligations described in clause (a) above, the maturing principal of and interest on which, when due and payable, without reinvestment will provide money, sufficient to pay when due the principal of (and premium, if any) and interest on such obligations, and which money, or obligations described in clause (a) above, are not available to satisfy any other claim, including any claim of the trustee or escrow agent or any claim of any Person claiming through the trustee or escrow agent or any claim of any Person to whom the Person on whose behalf such irrevocable deposit was made, the trustee, or the escrow agent may be obligated, whether arising out of the insolvency of the Person on whose behalf such irrevocable deposit was made, the trustee or escrow agent or otherwise.

"Deferred Affiliate Management Fees" means regularly scheduled periodic fees payable by the Obligor or any other Member of the Obligated Group pursuant to the Management Services Agreement, which are deferred pursuant to such agreement and payable pursuant to the Master Indenture.

"Entrance Fee Fund" means (a) the Entrance Fee Fund created in connection with the initial funding of the Facilities and (b) any entrance fee fund or account established in connection with the financing of any Capital Addition.

"Entrance Fee Unit" means the Independent Living Units that are part of the Facilities and are offered for occupancy on an Entrance Fee basis.

"Entrance Fees" means fees, other than security deposits, monthly rentals or monthly service charges, paid to a Member by residents of Entrance Fee Units for the purpose of obtaining the right to reside in those units including any refundable resident deposits described in any lease or similar Residency Agreement with respect to those Entrance Fee Units, but shall not include any such amounts held in escrow or otherwise set aside pursuant to the requirements of any such agreement prior to the occupancy of the unit covered by such Residency Agreement or pursuant to Chapter 246, Texas Health and Safety Code (which amounts shall be included if and when occupancy occurs and such set-aside is no longer required).

"Expansion" means such additions, improvements, extensions, alterations, relocations, enlargements, expansions, modifications or changes in, on or to any Project permitted as a "health facility" under the Act as the Obligor deems necessary or desirable, provided such Expansion does not materially impair the effective use of such Project.

"Expenses" means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any accrual for taxes, assessments and insurance, incurred by the Person or group of Persons involved during such period, but excluding (a) interest on Funded Indebtedness (taking into account any Interest Rate Agreement as provided in the Master Indenture), (b) depreciation and amortization, (c) extraordinary expenses, losses on the sale or disposition of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans, (d) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense, (e) losses resulting from any reappraisal, revaluation or write down of assets other than bad debts, including but not limited to unrealized losses resulting from changes in the valuation of an Interest Rate Agreement, (f) non-cash expenses or losses, (g) any expenses paid with proceeds of any Related Bonds, and (h) any development, marketing, operating, overhead or management fees that have been deferred from the year in which they were originally due. If such calculation of Expenses is being made with respect to the Obligated Group, any such expenses attributable to transactions between any Member and any other Member shall be excluded.

"Extendable Indebtedness" means Indebtedness which is repayable or subject to purchase at the option of the holder thereof prior to its stated maturity, but only to the extent of money available for the repayment or purchase therefor and not more frequently than once every year.

"Facilities" means the continuing care retirement community and related elder care owned and to be owned by the Obligated Group Members located on the Premises, including any Independent Living Units, assisted living units, a health center including nursing beds, all necessary and useful furnishings, equipment and machinery, and such interests in land as may be necessary or suitable for the foregoing, including roads and rights of access, utilities and other necessary site preparation facilities.

"Feasibility Study" means the report prepared and signed by Dixon Hughes Goodman LLP, setting forth a financial forecast of the Obligated Group for the seven years ended December 31, 2023.

"Federal Subsidy Payments" means the direct payments made by the United States Department of Treasury or other federal governmental agency or entity authorized to make such payments to the issuer or conduit borrower for any Related Bonds which constitute Subsidy Bonds.

"Financial Statements" means the financial statements of any Person meeting the requirements described in the Master Indenture.

"Fiscal Year" means any 12 month period beginning on January 1 of any calendar year and ending on December 31 of the same calendar year, or such other consecutive 12-month period selected by the Obligated Group Representative as the fiscal year for Members.

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

"Funded Indebtedness" means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed, credit extended, incurred or assumed which is not Short Term; (b) certain Short Term Indebtedness incurred by the Person which is of the type described in the Master Indenture; (c) the Person's Guaranties of Indebtedness which are not Short Term (but including Guaranties of Short Term Indebtedness described in the Master Indenture); and (d) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

"Funded Interest" means amounts irrevocably deposited in an escrow or other trust account (other than a debt service reserve fund held under a Related Bond Indenture) to pay interest on Funded Indebtedness or Related Bonds and interest earned on such amounts to the extent such interest earned is required to be applied to pay interest on Funded Indebtedness or Related Bonds.

"Funded Interest Account" means the account by that name created in the Construction Fund.

"Governing Body" means, with respect to a Member, the board of directors, the board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

"Government Obligations" means direct obligations of the United States of America or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

"Gross Revenues" means all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third party payments), condemnation awards, Entrance Fees, Federal Subsidy Payments and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, (b) proceeds received from (i) accounts, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) account receivable, general intangibles, contract rights, chattel paper, instruments and other rights and assets now existing or hereafter coming into

existence or whether now owned or held or hereafter acquired, and (c) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) all such items, whether now owned or hereafter acquired by the Obligated Group Members, which by their terms or by reason of applicable law cannot be granted, assigned or pledged hereunder or which would become void or voidable if granted, assigned or pledged hereunder by the Obligated Group Members, or which cannot be granted, pledged or assigned hereunder without the consent of other parties whose consent is not secured, or without subjecting the Master Trustee to a liability not otherwise contemplated by the provisions hereof, or which otherwise may not be, or are not, hereby lawfully and effectively granted, pledged and assigned by the Obligated Group Members, (ii) any amounts received by an Obligated Group Member as a billing agent for another entity, except for fees received for serving as billing agent, (iii) gifts, grants, bequests, donations and contributions to an Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use of payments required under the Master Indenture, (iv) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other areas of the Facilities to be occupied or leased to such residents or tenants, (v) all deposits made pursuant to Residency Agreements to be held in escrow until construction of the Facilities is completed, a certificate of occupancy has been issued and appropriate licenses, if required, have been issued, and (vi) all deposits and/or advance payments made in connection with any leases of the Independent Living Units and received prior to receipt of such certificate and licenses.

"Guaranty" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Indebtedness or obligation or any Property constituting security therefor; (b) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

"Health Facility Act" means the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended from time to time.

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for such period, (a) the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and (b) to the extent an Interest Rate Agreement has been entered into in connection with any particular Indebtedness, the actual debt service paid after the effect of Regularly Scheduled Payments made to or received from the provider of the Interest Rate Agreement shall be used in the calculation.

"Historical Pro Forma Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then outstanding (other than any Funded Indebtedness being refunded with the Funded Indebtedness then proposed to be issued) and the Funded Indebtedness then proposed to be issued and a denominator of one; provided, however, that in calculating the Maximum Annual Debt Service Requirements for such period, (a) the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and (b) if an Interest Rate Agreement has been entered into in connection with any particular Indebtedness, Regularly Scheduled Payments made to or received from the provider of the Interest Rate Agreement shall be taken into account in the calculation.

"Holder" means a bearer of any Obligation issued in bearer form, and the registered owner of any Obligation issued in registered form.

"Holder Consent" means the written consent of the Holders of a majority in aggregate principal amount of the total amount of Obligations then Outstanding.

"Income Available for Debt Service" means for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

"Indebtedness" means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person in accordance with generally accepted accounting principles, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise; provided that Indebtedness shall not include Indebtedness of one Member to another Member, any Guaranty by any Member of Indebtedness of any other Member, the joint and several liability of any Member on Indebtedness issued by another Member, Interest Rate Agreements (but any amounts then due but unpaid thereunder shall constitute Indebtedness), any Subordinated Indebtedness owed to an Affiliate of such Person evidencing an obligation to repay funds advanced or to pay fees owed to such Affiliate or any obligation to repay Entrance Fees or moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, senior living facilities or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

"Independent Living Units" means all of the independent living units that are or become part of the Facilities regardless of whether or not they are offered for occupancy on an Entrance Fee basis or a rental basis.

"Initial Entrance Fees" means Entrance Fees received upon the initial occupancy of any Entrance Fee Unit not previously occupied.

"Initial Occupancy Date" means the earliest date a resident has taken physical possession of one of the Entrance Fee Units included in the Facilities.

"Initial Purchaser" means B. C. Ziegler and Company, the initial purchaser of the Series 2017 Bonds.

"Initial Supplemental Indenture" means Supplemental Indenture Number 1 dated as of May 1, 2017, between the Obligated Group Representative and the Master Trustee.

"Initial Testing Period" means the earlier of (a) the Stable Occupancy Year or (b) the Fiscal Year ending December 31, 2024.

"Insurance Consultant" means a person or firm who in the case of an individual is not an employee or officer of any Member and which, in the case of a firm, 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, appointed by the Obligated Group Representative, qualified to survey risks and to recommend insurance coverage for senior living facilities or health care facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations, and which may include a broker or agent with whom any Member transacts business.

"Interest Payment Date" means each May 15 and November 15, commencing November 15, 2017, or, if such day is not a Business Day, the immediately succeeding Business Day.

"Interest Rate Agreement" means an interest rate exchange, hedge or similar agreement, expressly identified in an Officer's Certificate of the Obligated Group Representative delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. An Interest Rate Agreement shall not constitute Indebtedness (unless and to the extent amounts due thereunder are unpaid) under the Master Indenture.

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member, and any Capitalized Lease under which any Member is lessee and the lessor is not another Member.

"Liquidity Facility" means a written commitment to provide money to purchase or retire any Indebtedness if (i) on the date of delivery of such Liquidity Facility, the unsecured Funded Indebtedness or claims paying ability of the provider of such Liquidity Facility or its parent holding company or other controlling entity is rated at least "A-" by at least one of the Rating Agencies and (ii) as of any particular date of determination, no amount realized under such Liquidity Facility for the payment of the principal or the purchase or redemption price of such Indebtedness (exclusive of amounts realized for the payment of accrued interest on such Indebtedness) shall be required to be repaid by the obligor on such Funded Indebtedness for a period of at least one year.

"Liquidity Provider" means Buckner Foundation, Inc., a Texas nonprofit corporation, and any successor entity thereto.

"Liquidity Requirement" has the meaning given such term under the caption "**THE MASTER INDENTURE - Liquidity Covenant**" herein.

"Liquidity Support Account" means the account by that name established by the Liquidity Provider with the Master Trustee pursuant to the Liquidity Support Agreement.

"Liquidity Support Agreement" means the Liquidity Support Agreement dated as of May 1, 2017, among the Obligor, the Liquidity Provider, the Master Trustee and the Bond Trustee.

"Management Services Agreement" means the Management Services Agreement between Buckner Retirement Services, Inc. and the Obligor, as amended and supplemented.

"Master Trustee" means UMB Bank, N.A., a national banking association with trust powers, as trustee under the Master Indenture, and any successor in trust, appointed as provided in the Master Indenture.

"Maturity" when used with respect to any Indebtedness means the date on which the principal of such Indebtedness or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"Maximum Annual Debt Service" for any series of Series 2017 Bonds means, when used in the Loan Agreement, an amount equal to the maximum principal and interest requirements (taking into account all mandatory sinking fund payments) due in any calendar year on such series of the Series 2017 Bonds; provided, however, that principal of a series of the Series 2017 Bonds in its final year shall be excluded from the determination of Maximum Annual Debt Service to the extent moneys are on deposit as of the date of calculation in the Reserve Fund.

"Maximum Annual Debt Service Requirement" means, when used in the Master Indenture, the largest total Debt Service Requirements for the current or any succeeding Fiscal Year.

"Maximum Rate" means the least of (i) 15% per annum or (ii) the maximum rate permitted by applicable law.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group, with written notice to the Master Trustee.

"Mortgaged Property" means the real property and personal property which is subject to the Lien and security interest of the Master Indenture.

"Net Proceeds" means, when used with respect to any insurance (other than the proceeds of business interruption insurance) or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used less all expenses (including

attorney's fees, adjuster's fees and any expenses of the Obligated Group or the Master Trustee) incurred in the collection of such gross proceeds.

"Net Rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"Non Recourse Indebtedness" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment (other than the Premises) and the income therefrom, with no recourse, directly or indirectly, to any other Property of any Member.

"Notes" means the Series 2017 Notes and any other note payable to the Issuer issued under the Master Indenture pursuant to the Loan Agreement.

"Obligated Group" means, collectively, all of the Obligated Group Members.

"Obligated Group Member" or "Member" means the Obligor and any other Person who has satisfied the requirements set forth in the Master Indenture for becoming an Obligated Group Member and its successors until any such Person or a successor or transferee Person satisfies the requirements set forth in the Master Indenture for ceasing to be an Obligated Group Member.

"Obligated Group Representative" means the Obligor, or any successor Obligated Group Representative appointed pursuant to the Master Indenture.

"Obligation" means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Group Member which is authenticated and delivered pursuant to the Master Indenture and which is entitled to the benefits of the Master Indenture, including without limitation any obligations evidencing future issuances of bonds in one or more series to finance the cost of the Facilities as are authorized by Supplement(s) to the Master Indenture.

"Obligor" means Buckner Senior Living, Inc., a Texas nonprofit corporation, and any and all successors thereto in accordance with the Master Indenture.

"Occupied" means (a) an Entrance Fee Unit for which a Residency Agreement has been executed, all related Entrance Fees then due have been paid in accordance with such Residency Agreement and the monthly service fees for which are currently being paid (for purposes of this definition, combined Entrance Fee Units are counted as the number of original individual units so combined) and (b) with respect to any other Independent Living Unit or any assisted living unit or nursing bed, such units that are occupied by a resident or patient for which monthly service fees are currently charged and paid; provided, however, with respect to nursing beds, to the extent a resident desires a private room and pays the appropriate fees to convert a semi-private room to a private room, then in such case the number of available nursing beds shall be reduced accordingly for such period.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by a Member of the Obligated Group, by any Authorized Representative of such Member of the Obligated Group or in the case of a certificate delivered by any other corporation, by the President, any Vice President, Director of Finance or any other officer or agent authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such certificate shall be evidenced to the satisfaction of the Master Trustee.

"Operating Reserve Fund" means the Operating Reserve Fund established pursuant to the Master Indenture in connection with the initial funding of the Facilities.

"Outstanding," means as of any particular time, all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Bond Indenture, except:

- (i) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation;
- (ii) Bonds paid or deemed to be paid pursuant to the discharge provisions of the Bond Indenture; and
- (iii) Bonds in lieu of or in exchange for which other Bonds shall have been executed and delivered by the Issuer and authenticated by the Bond Trustee.

"Outstanding" when used with respect to Obligations means, as of the date of determination, all Obligations theretofore authenticated and delivered under the Master Indenture, except:

- (1) Obligations theretofore cancelled and delivered to the Master Trustee or delivered to the Master Trustee for cancellation;
- (2) Obligations for whose payment or redemption money (or Defeasance Obligations to the extent permitted by the Master Indenture) shall have theretofore been deposited with the Master Trustee or any Paying Agent for such Obligations in trust for the Holders of such Obligations pursuant to the Master Indenture; provided, that, if such Obligations are to be redeemed, notice of such redemption has been duly given or waived pursuant to the Master Indenture or irrevocable provision for the giving of such notice satisfactory to the Master Trustee has been made pursuant to the Master Indenture; and
- (3) Obligations upon transfer of or in exchange for or in lieu of which other Obligations have been authenticated and delivered pursuant to the Master Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Obligations have given any request, demand, authorization, direction, notice, consent, or waiver under the Master Indenture, Obligations owned by any Obligated Group Member or any Affiliate of any Obligated Group Member shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Obligations that the Master Trustee knows to be so owned shall be so disregarded. Obligations so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Obligations and that the pledgee is not an Obligated Group Member or an Affiliate of any Obligated Group Member.

"Paying Agent" means any Person authorized by the Obligated Group Representative to pay the principal of (and premium, if any) or interest on any Obligations on behalf of the Obligated Group.

"Permitted Encumbrances" means the Master Indenture, any Related Loan Agreement, any Related Bond Indenture and, as of any particular date:

- (a) Liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member 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; 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 to maintain self insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pensions or profit sharing plans

or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien described in Exhibit B to the Master Indenture which is existing on the date of execution of the Master Indenture provided that no such Lien may be extended, renewed or modified to apply to any Property of a 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 Encumbrance;

(c) any Lien on the Property of any Member granted in favor of or securing Indebtedness to any other Member, with Holder Consent;

(d) the Master Indenture, and any other Lien on Property if such Lien equally and ratably secures all of the Obligations and only the Obligations;

(e) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food and beverage service facilities, gift shops, commercial, beauty shop, banking, radiology, other similar specialty services, pharmacy and similar departments or employee rental apartments; and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's length transaction;

(f) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Master Indenture;

(g) utility, access and other easements and rights of way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(h) any mechanic's, laborer's, materialman's, broker's, appraiser's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or has been due for less than 60 days, or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(i) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof;

(j) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(k) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(l) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(m) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(n) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith

be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(o) Liens on moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment, prepayment or similar funds deposited by or on behalf of such residents;

(p) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(q) any security interest in a rebate fund, any depreciation reserve, debt service or interest reserve, debt service, construction fund or any similar fund established pursuant to the terms of any Supplement, Related Bond Indenture or Related Loan Agreement in favor of the Master Trustee, a Related Bond Trustee or the holder of the Indebtedness issued pursuant to such Supplement, Related Bond Indenture or Related Loan Agreement or the holder of any related Commitment Indebtedness;

(r) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member which secures Commitment Indebtedness and only Commitment Indebtedness;

(s) any Lien on Property acquired by a Member which Lien secures Indebtedness issued, incurred or assumed by any Member, in connection with and to effect such acquisition or existing Indebtedness which will remain outstanding after such acquisition which Lien encumbers Property other than Property that is pledged pursuant to Granting Clause Second of the Master Indenture, if in any such case the aggregate principal amount of such Indebtedness does not exceed the fair market value subject to such Lien as determined in good faith by the Governing Body of the Member;

(t) Liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the face amount of such accounts receivable sold;

(u) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, and which (i) in the case of Property owned by the Obligated Group on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;

(v) such Liens as are required to be granted by Section 246.111 of the Texas Health and Safety Code, as amended;

(w) any Lien on Property securing Subordinated Indebtedness; and

(x) Liens permitted by the Master Indenture.

"Permitted Investments" means, if and to the extent the same are at the time legal for investment of funds held under the Master Indenture, dollar denominated investments in any of the following:

(a) Government Obligations;

(b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency;

(c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, or the Federal Farm Credit Bank (which is either (i) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by an Rating Agency, or (ii) backed by the full faith and credit of the United States of America;

(d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Master Trustee, the Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which mature not more than 365 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which matures not more than 270 days after the date of purchase;

(f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) asset-backed securities, commercial mortgage-backed securities, or mortgage-backed securities which are, at the time of purchase, rated by any Rating Agency in any of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(h) investment agreements with banks that at the time the agreement is executed are at the time of purchase rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency or investment agreements with non-bank financial institutions, provided that (i) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time the agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (ii) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is at the time of purchase rated by any Rating Agency in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term indebtedness by any Rating Agency. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with the non-bank financial institution will be permitted;

(i) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including without limitation the Bond Trustee or the Master Trustee or an affiliate thereof), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Master Trustee, the Bond Trustee or a custodial agent thereof 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 Master Trustee's or Bond Trustee's agent; and

(j) investments in a money market fund, including funds of the Master Trustee or its affiliates, rated (at the time of purchase) in the highest rating category for this type of investment by any Rating Agency; and

(k) shares in any investment company, money market mutual fund, fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and the majority of whose investments consist of Permitted Investments as defined paragraphs (a) through (j) above, including money market mutual funds from which the Master Trustee, the Bond Trustee or an affiliate thereof derive a fee for investment advisory or other services to the fund.

The Master Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary.

For purposes of this definition, obligations issued or held in the name of the Master Trustee in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Master Trustee.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or any other entity.

"Premises" means the real property described in Exhibit A to the Master Indenture and the structures located thereon from time to time, as Exhibit A may be amended from time to time.

"Primary Obligor" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"Project" means any health facility permitted by the Act to be financed or refinanced by Bonds.

"Project Account" means the account by that name created in the Construction Fund.

"Projected Debt Service Coverage Ratio" means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness expected to be outstanding during such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements in order to calculate the Maximum Annual Debt Service Requirement for such period, (i) the principal amount of any Funded Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount will be paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and (ii) to the extent an Interest Rate Agreement has been or will be entered into in connection with any particular Indebtedness, the actual debt service paid after the effect of Regularly Scheduled Payments to be made to or to be received from the provider of the Interest Rate Agreement shall be used in the calculation.

"Projected Rate" means the projected yield at par of an obligation as set forth in the report of a Consultant. Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than three obligations (or such lesser number as the Consultant shall deem appropriate, but in no event less than one) selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax exempt obligations, or of the interest on the Indebtedness for which the Projected Rate is being calculated is not entitled to such exemption, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators for utilizing in developing such Projected Rate and which obligations: (a) were outstanding on a date selected by the Consultant which date so selected occurred during the 90 day period preceding the date of the calculation utilizing the Projected Rate in question, (b) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (c) are not entitled to the benefits of any credit enhancement (including without limitation any letter or line of credit or insurance policy) if the obligation for which the Projected Rate is being determined is not benefited by any credit enhancement, and (d) to the extent practicable, have a remaining term and

amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

"Property" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired by a Person.

"Property, Plant and Equipment" means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

"Put Date" means (a) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (b) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"Put Indebtedness" means Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"Qualified Intermediate Term Indebtedness" means any Indebtedness (or part thereof) that satisfies the permitted indebtedness requirements of the Master Indenture (excluding the principal and interest on the proposed Qualified Intermediate Term Indebtedness for purposes of calculating the Debt Service Requirements) and (a) matures not more than seven years from the date of its issuance or incurrence, and (b) will, according to an Officer's Certificate of the Obligated Group Representative and a written report of a Consultant (prepared in accordance with industry standards), be used to finance Facilities for any Member of the Obligated Group and the Initial Entrance Fees for which (based solely on prospective residents from whom the Obligor has received a deposit of at least 10% of the projected Initial Entrance Fee of such resident) will be deposited into a separate account and be sufficient to generate an amount of funds equal to the aggregate of the principal amount of such Qualified Intermediate Term Indebtedness and all interest to accrue thereon through the projected date on which such Qualified Intermediate Term Indebtedness is to be paid in full (excluding Funded Interest on such Qualified Intermediate Term Indebtedness). The calculation of such amount may include reasonably expected interest earnings on the deposited Initial Entrance Fees as set forth in the certificate.

"Rating Agency" or "Rating Agencies" means, (i) with respect to any Bond, Fitch, Standard & Poor's and/or Moody's according to which of such rating agencies then rates such Bond; and provided that, if none of such rating agencies then rates such Bond, the term "Rating Agency" or "Rating Agencies" shall refer to any national rating agency (if any) which provides such rating; and (ii) when used in the Master Indenture, Moody's, Standard & Poor's or Fitch.

"Regular Record Date" means for the Series 2017 Bonds the last day of the month preceding each regularly scheduled Interest Payment Date therefor, and for Additional Bonds shall be the day established by the supplement to the Bond Indenture relating to such Additional Bonds.

"Regularly Scheduled Payments" means payments scheduled for regular payment on specified dates or at specific intervals pursuant to an Interest Rate Agreement.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Trustee" means the trustee and its successor in the trust created under any Related Bond Indenture.

"Related Bonds" means the Series 2017 Bonds and any other revenue bonds or other 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 ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to any Obligated Group Member in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

"Related Bonds Debt Service Reserve Fund" means a debt service reserve fund established pursuant to a Related Bond Indenture to secure payment on any Related Bonds.

"Related Loan Agreement" means any loan agreement, financing agreement, credit agreement or other comparable instrument entered into in connection with a series of Related Bonds.

"Required Information Recipient" means the Municipal Securities Rulemaking Board, which currently accepts continuing disclosure submissions through its EMMA web portal, or any successor entity authorized and approved by the Securities and Exchange Commission from time to time to act as a recognized municipal securities repository.

"Reserve Fund" means the Reserve Fund created in the Bond Indenture.

"Reserve Fund Obligations" means cash and Permitted Investments.

"Reserve Fund Requirement" means, with respect to (a) the Series 2017A Bonds, an amount equal to Maximum Annual Debt Service on the Series 2017A Bonds which initially will be \$ _____, (b) with respect to the Series 2017B Bonds, an amount equal to one year's interest on the Series 2017B Bonds which initially will be \$ _____, (c) with respect to the Series 2017C Bonds, an amount equal to one year's interest on the Series 2017C Bonds which initially will be \$ _____, and (d) any Additional Bonds, the amount specified in the supplemental indenture pursuant to which such Additional Bonds are issued.

"Reserved" means an Entrance Fee Unit (a) which is Occupied or (b) for which a Member of the Obligated Group has received a deposit equal to not less than 10% of the Entrance Fee related to such Entrance Fee Unit.

"Residency Agreement" means each and every contract, including without limitation any "reservation agreement" or "residency agreement", as amended from time to time, between an Obligated Group Member and a resident of the Obligor's Facilities giving the resident certain rights of occupancy in the Obligor's Facilities, including, without limitation, Independent Living Units, assisted living units, skilled nursing beds or specialty care (dementia) beds and providing for certain services to such resident.

"Revenue Fund" means the Revenue Fund created by the Master Indenture.

"Revenues" means, for any period, (a) in the case of any Person providing health care services and/or senior living services, the sum of (i) net patient service revenues and resident service revenues plus (ii) other operating revenues, plus (iii) nonoperating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business, any gain from the extinguishment of debt or other extraordinary item, earnings which constitute Funded Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, but including investment income), plus (iv) Unrestricted Contributions, plus (v) any deferred portion of monthly service fees collected, plus (vi) Entrance Fees (other than Initial Entrance Fees) received minus (A) Entrance Fees amortized during such Fiscal Year and (B) Entrance Fees refunded to residents, plus (vii) payments received from any Affiliate of an Obligated Group Member, plus (viii) any Federal Subsidy Payments; and (b) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles; but excluding in either case (i) any unrealized gain or loss resulting from changes in the valuation of investment securities or unrealized changes in the value of derivative instruments (including any changes in the valuation of an Interest Rate Agreement), (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write up of fixed or capital assets, (iv) any revenues recognized from deferred revenues related to Entrance Fees or monthly service fees and (v) insurance (other than business interruption) and condemnation proceeds; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member. For purposes of calculations under the Master Indenture, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the Unrestricted Contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation.

"Series 2017 Bonds" means the Series 2017A Bonds, the Series 2017B Bonds and the Series 2017C Bonds issued pursuant to the Bond Indenture.

"Series 2017 Bond Trustee" means UMB Bank, N.A., as bond trustee under the Bond Indenture, and any successor thereto.

"Series 2017 Notes" means the initial Obligations issued under the Master Indenture.

"Series 2017A Bonds" means the Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project) Series 2017A issued pursuant to the Bond Indenture.

"Series 2017B Bonds" means the Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project) Series 2017B issued pursuant to the Bond Indenture.

"Series 2017C Bonds" means the Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project) Taxable Series 2017C issued pursuant to the Bond Indenture.

"Short Term," when used in the Master Indenture in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

"Short term" when used in the Bond Indenture, means, as to any investment, maturing within one year from the date of such investment and not renewable by the Obligor for a term greater than one year beyond the date of original issuance.

"Stabilization Date" means the first date on which the percentage occupancy of the Independent Living Units in the Facilities is equal to or greater than 93%.

"Stable Occupancy" means: (a) with respect to the Facilities, both of these conditions have been met: (i)(A) the percentage occupancy of the Independent Living Units in the Facilities is equal to or greater than 93%, and (B) the total percentage occupancy of all units and beds in the Facilities is equal to or greater than 91%, both calculated as of the last day of a fiscal quarter, and (ii) all the Temporary Bonds have been paid in full, and are no longer outstanding; provided, if the Temporary Bonds referred to in (ii) above are repaid no later than March 1 of a particular year, they shall be deemed to have been fully repaid in the prior Fiscal Year (as if they were repaid prior to December 31 of the prior Fiscal Year), and (b) in connection with the incurrence of Additional Indebtedness for any Capital Addition, the meaning given such term in the Supplement relating to such Additional Indebtedness based on the sustainable capacity for which such facility was designed as stated in the Consultant's report issued at such time.

"Stable Occupancy Year" means the first full Fiscal Year following the year in which Stable Occupancy first occurred.

"Standard & Poor's" means Standard & Poor's, a business of Standard & Poor's Financial Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative, with written notice to the Master Trustee.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon means any date specified in the instrument evidencing such Indebtedness or such installment of interest as a fixed date on which the principal of such Indebtedness or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Indebtedness" means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation the terms of the documents providing for the issuance of which expressly provide that all payments on such indebtedness shall be subordinated to the timely payment of all Obligations, whether currently Outstanding or subsequently issued (other than Obligations that constitute Subordinated Indebtedness). Affiliate Development Fees that

are earned but not then payable shall be treated as Subordinated Indebtedness to an Affiliate and shall be paid in accordance with "**THE MASTER INDENTURE - Payments on Subordinated Indebtedness to an Affiliate**" herein. Deferred Affiliate Management Fees shall not be treated as Subordinated Indebtedness to an Affiliate and shall be paid in accordance with "**THE MASTER INDENTURE - Payment of Affiliate Management Fees**" herein.

"Subsidy Bonds" means any Related Bonds for which the issuer or conduit borrower is entitled to receive Federal Subsidy Payments directly from the United States Department of Treasury or other federal governmental agency or entity authorized to make such payments under the Code.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"Supplemental Indenture" means the Supplemental Indenture Number 1 dated May 1, 2017 between the Obligated Group Representative and the Master Trustee.

"Surplus Construction Fund Moneys" means all moneys (including moneys earned pursuant to the provisions of the Bond Indenture) remaining in the Construction Fund after completion or termination of the Project (as evidenced by a Completion Certificate) and payment of all other costs then due and payable from the Construction Fund.

"Tax Exempt Bonds" means the Series 2017A Bonds, the Series 2017B Bonds and any Additional Bonds, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes.

"Tax Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof that is exempt from federal income taxes under section 501(a) of the Code as 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.

"Temporary Bonds" means the Series 2017B Bonds and the Series 2017C Bonds.

"Testing Date" means each June 30 and December 31, commencing with the Testing Date immediately following the occurrence of Stable Occupancy.

"Threshold Amount" means the greater of (a) 3% of Book Value or, at the option of the Obligated Group Representative, the Current Value of the Property, Plant and Equipment of the Obligated Group or (b) \$1,000,000 plus an amount equal to \$1,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of January 1, 2017.

"Trust Estate" means, with respect to the Master Indenture, the Property of the Obligated Group Members pledged to the Master Trustee as security for the payment of the Obligations, including without limitation the revenue, accounts receivable and Gross Revenues of the Obligated Group Members, subject to certain restrictions; the right, title and interest of the Obligated Group Members in the Premises; the right, title and interest of the Obligated Group in any personal property located on the Premises; amounts on deposit from time to time in the funds and accounts established under the Master Indenture; and such other property that may in the future be pledged as additional security.

"Unrestricted Contributions" means Contributions which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contributions.

"Unrestricted Net Assets" of a Person means the excess or deficiency of assets over liabilities classified as Unrestricted under the Net Assets section of the Statement of Financial Position (or similar financial statement) of such Person prepared in accordance with generally accepted accounting principles.

"Working Capital Fund" means (a) the Working Capital Fund established pursuant to the Master Indenture and (b) any working capital fund or account established in connection with the financing of a Capital Addition.

THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. The summary does not purport to be complete and is qualified in its entirety by reference to the Master Indenture.

Entrance Fee Fund. For a description of the provisions pertaining to the Entrance Fee Fund, see the caption, "**SECURITY FOR THE BONDS - Flow of Funds, the Entrance Fee Fund and Other Funds - Flow of Funds; the Entrance Fee Fund**" in the Official Statement.

Working Capital Fund. For a description of the provisions pertaining to the Working Capital Fund, see the caption, "**SECURITY FOR THE BONDS - Flow of Funds, the Entrance Fee Fund and Other Funds -Working Capital Fund**" in the Official Statement.

Operating Reserve Fund. For a description of the provisions pertaining to the Operating Reserve Fund, see the caption, "**SECURITY FOR THE BONDS - Flow of Funds, the Entrance Fee Fund and Other Funds - Operating Reserve Fund**" in the Official Statement.

Liquidity Support Account. For a description of the provisions pertaining to the Liquidity Support Account, see the caption, "**LIQUIDITY SUPPORT AGREEMENT**" in the Official Statement.

Revenue Fund. In addition to the description of the provisions stated below, for a description of the provisions pertaining to the Revenue Fund, see the caption, "**SECURITY FOR THE BONDS - Revenue Fund**" in the Official Statement.

Money in the Revenue Fund, together with investments thereof and income therefrom is to be held in trust and applied solely as provided in the Master Indenture. Money in the Revenue Fund are to be invested as described below under "**Investment of Funds**," such investments to have a maturity not greater than 91 days from date of purchase.

Except as otherwise provided in the Master Indenture, each Obligated Group Member is entitled to full possession and use of its Gross Revenues other than Entrance Fees.

Payments on Subordinated Indebtedness to an Affiliate. A Member will not make payments on Subordinated Indebtedness to an Affiliate unless the Obligated Group Representative delivers an Officer's Certificate to the Master Trustee prior to any payment on Subordinated Indebtedness to an Affiliate certifying that the following conditions are satisfied:

- (a) All of the Temporary Bonds have been fully redeemed or otherwise paid in full;
- (b) There have been two full fiscal quarters of Stable Occupancy with respect to the Facilities;
- (c) If the proposed payment on the Subordinated Indebtedness to an Affiliate had occurred as of the most recent Testing Date, the Obligated Group would have had met the Liquidity Requirement on such Testing Date after such payment;
- (d) The Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available was at least 1.35:1;
- (e) If the proposed payment on the Subordinated Indebtedness to an Affiliate had occurred during the most recent Fiscal Year for which audited financial statements of the Obligated Group are available, the Historical Debt Service Coverage Ratio for that Fiscal Year would have been not less than 1.20:1; and
- (f) There is no event existing that constitutes, or with the giving of notice or the passing of time or both would constitute, an Event of Default under the Master Indenture.

Notwithstanding the foregoing, such restriction shall not apply to payments made with the proceeds of the Series 2017 Bonds.

Payment of Affiliate Management Fees. (a) Prior to the Stabilization Date, no Obligated Group Member shall pay Deferred Affiliate Management Fees unless the Obligated Group Representative has delivered an Officer's Certificate to the Master Trustee prior to such payment certifying that the Obligated Group Members have, to the extent then applicable, complied with the marketing covenant, the occupancy covenant, and the cumulative cash operating loss covenant for two consecutive fiscal quarters.

(b) Subsequent to the Stabilization Date, no Obligated Group Member shall pay Deferred Affiliate Management Fees unless the Obligated Group Representative has delivered an Officer's Certificate to the Master Trustee prior to such payment certifying that the Obligated Group Members were in compliance with (i) the Liquidity Requirement, if then applicable, on the immediately prior Testing Date and (ii) the rate covenant for the immediately prior Fiscal Year under the Master Indenture.

(c) Notwithstanding anything to the contrary herein, no Obligated Group Member shall pay Current Affiliate Management Fees or Deferred Affiliate Management Fees if, at the time of such payment, there is an event existing that constitutes, or with the giving of notice or passing of time or both would constitute, an Event of Default under the Master Indenture.

(d) Amounts due to an Affiliate with respect to any portion of Current Affiliate Management Fees or Deferred Affiliate Management Fees not paid under the Master Indenture due to operation of subsections (a), (b) or (c) hereof shall be deferred or continue to be deferred in accordance with this section and the Management Services Agreement until the requirements for payment have been satisfied.

(e) All Current Affiliate Management Fees and Deferred Affiliate Management Fees payable but deferred pursuant to this Section shall be subordinated to all payments due on any Obligations Outstanding.

Investment of Funds. Moneys held in any fund or account established under the Master Indenture as required to be invested by the Master Trustee in Permitted Investments as directed by an Obligated Group Representative Request (upon which the Master Trustee is entitled to rely, including with respect to the fact that the investments directed in such Obligated Group Representative Request are Permitted Investments). Any such investments are to be held by or under the control the Master Trustee and must mature, or be redeemable at the option of the Master Trustee, at such times as it is anticipated that moneys from a particular fund will be required for the purposes of the Master Indenture. Permitted Investments may be purchased from or sold to the Master Trustee or any of its affiliates.

Title to Mortgaged Trust Estate and Lien of the Master Indenture. The Obligor covenants that it has good and indefeasible title to the Trust Estate free and clear of any liens, charges, encumbrances, security interests and adverse claims except the encumbrances permitted by the Master Indenture. The Obligor represents that it has the right to mortgage the Trust Estate owned by it and will warrant and defend to the Master Trustee the title and the lien of the Master Indenture as a valid and enforceable mortgage thereon, in accordance with the terms of the Master Indenture. The Master Indenture constitutes a valid and subsisting lien on the Trust Estate all in accordance with the terms thereof, subject to Permitted Encumbrances.

Payment of Principal, Premium and Interest. The Obligated Group Representative will duly and punctually pay the principal of (and premium, if any) and interest on the Obligations in accordance with their terms and the Master Indenture. Each Obligated Group Member jointly and severally unconditionally guarantees the full and timely payment of the principal of, premium, if any, and interest on all Outstanding Obligations which such Person has not created or otherwise made (and on which such person is not otherwise primarily liable) in accordance with the terms thereof and the Master Indenture, whether at Stated Maturity, declaration of acceleration, call for redemption or otherwise.

Payment of Taxes and Other Claims. Each Obligated Group Member will pay or discharge or cause to be paid or discharged before the same shall become delinquent, (i) all taxes, assessments, and other governmental charges lawfully levied or assessed or imposed upon it or upon its income, profits, or property, and (ii) all lawful claims for labor, materials, and supplies which, if unpaid, might by law become a lien upon its property; provided, however, that no such Person shall be required to pay and discharge or cause to be paid and discharged any such tax, assessment, governmental charge, or claim to the extent that the amount, applicability, or validity thereof shall currently be contested in good faith by appropriate proceedings and such Person shall have established and shall maintain adequate reserves on its books for the payment of the same.

Maintenance of Properties. Each Obligated Group Member will cause all its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair, and working order and supplied with all necessary equipment, ordinary wear and tear, casualty, condemnation, and acts of God excepted. Each Obligated Group Member will cause to be made all necessary repairs, renewals, replacements, betterments, and improvements thereof, all as in the judgment of the Obligated Group Representative may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this section shall prevent any such Person from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of such Person (and in the opinion of the Governing Body of such Person if the property involved is any substantial part of the properties of such Person taken in the aggregate), desirable in the conduct of its business and not disadvantageous in any material respect to the Holders of the Obligations.

Additions to Facilities. Any additions, improvements and extensions to the Facilities and repairs, renewals and replacements thereof, including (without limitation) any capital improvements, shall upon their acquisition become part of the Facilities.

Insurance. Each Member shall maintain, or cause to be maintained at its sole cost and expense, insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate to protect its Property and operations.

The Master Trustee shall be named as an additional insured under all such policies (to the extent such option is commercially available). The Obligated Group Representative shall annually review the insurance each Member maintains as to whether such insurance is customary and adequate. In addition, the Obligated Group Representative shall, at least once every two Fiscal Years with respect to commercial insurance and at least once every Fiscal Year with respect to self insurance (commencing with the opening of the Facilities), cause a certificate of an Insurance Consultant or Insurance Consultants to be delivered to the Master Trustee within 120 days of the applicable Fiscal Year which indicates that the insurance then being maintained by the Members meets the standards described above. The Obligated Group Representative shall cause copies of its review, or the certificates of the Insurance Consultant or Insurance Consultants, as the case may be, to be delivered promptly to the Master Trustee. The Obligated Group or any Member may self insure if the Insurance Consultant or Insurance Consultants determine(s) that such self insurance meets the standards set forth in the first sentence of this paragraph and is prudent under the circumstances.

Rates and Charges. Each Obligated Group Member covenants and agrees to operate all of its Facilities on a revenue producing basis and to charge such fees and rates for its Facilities and services and to exercise such skill and diligence, including obtaining payment for services provided, as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law, and further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this section.

The Members covenant and agree that the Obligated Group Representative will calculate the Historical Debt Service Coverage Ratio of the Obligated Group for each Fiscal Year, commencing with the Initial Testing Period, and will deliver a copy of such calculation to the Persons to whom such report is required to be delivered as specified in the Master Indenture.

If, for the Initial Testing Period, the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.10:1, the Obligated Group Representative, at the Obligated Group's expense, shall select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to generate an Historical Debt Service Coverage Ratio of at least 1.20:1 for the following Fiscal Year.

If the Historical Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year following the Initial Testing Period, and for any Fiscal Year thereafter, is less than 1.20:1, the Obligated Group Representative, at the Obligated Group's expense, shall select a Consultant within 30 days following the calculation described herein to make

recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year.

Within 60 days of the actual engagement of a Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, is required to be filed with each Member and each Required Information Recipient. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. This section shall not be construed to prohibit any Member from serving indigent patients to the extent required for such Member to continue its qualification as a Tax Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this section.

The foregoing provisions notwithstanding, if the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year does not meet the levels required above, the Master Trustee is not obligated to require the Obligated Group to select a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Required Information Recipient) a written report of a Consultant which contains an opinion of such Consultant that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year sufficient to meet the requirements of this section, and, if requested by the Master Trustee, such report is accompanied by a concurring opinion of Independent Counsel (acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee) an opinion of Independent Counsel (acceptable to the Master Trustee) to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

If the Obligated Group fails (i) to achieve a Historical Debt Service Coverage Ratio of 1.20:1 for any Fiscal Year (or, in the case of the Initial Testing Period, a Historical Debt Service Coverage Ratio of 1.10:1), but (ii) does achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for such Fiscal Year, such failure 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 preparing a report and adopting a plan and 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.

Commencing with the Initial Testing Period, if the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for any Fiscal Year, such failure shall constitute an Event of Default under the Master Indenture.

Notwithstanding any other provisions of the Master Indenture, in the event that any Member of the Obligated Group incurs any Additional Indebtedness for any Capital Addition, the Debt Service Requirements on such Additional Indebtedness and the Revenues and Expenses relating to such Capital Addition financed with the proceeds of such Additional Indebtedness shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the purposes of complying with the Master Indenture until the first full Fiscal Year following the later of (i) the estimated completion of such Capital Addition being paid for with the proceeds of such Additional Indebtedness provided that such completion occurs no later than six months following the completion date for such Capital Addition set forth in the Consultant's report described in (A) below, or (ii) the first full Fiscal Year in which Stable Occupancy is achieved in the case of construction, renovation or replacement of senior living facilities or nursing facilities financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected in the report of the Consultant referred to in paragraph (A) below to occur no later than during the fifth full Fiscal Year following the incurrence of such Additional Indebtedness, or (iii) the end of the fifth full Fiscal Year after the incurrence of such Additional Indebtedness, if the following conditions are met:

(A) there is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for the first full Fiscal Year following the later of (1) the estimated completion of the Capital Addition being paid for with the proceeds of such Additional Indebtedness, or (2) the first full Fiscal Year following the year in which Stable Occupancy is achieved in the case of construction, renovation or replacement of senior living facilities or nursing facilities being financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected to occur no later than during the fifth full Fiscal Year following the incurrence of such Additional Indebtedness, will be not less than 1.25:1 after giving effect to the incurrence of such Additional Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Additional Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this subparagraph (A); and

(B) there is delivered to the Master Trustee an Officer's Certificate on the date on which financial statements are required to be delivered to the Master Trustee pursuant to the Master Indenture thereof until the first Fiscal Year in which the exclusion from the calculation of the Historical Debt Service Coverage Ratio no longer applies, calculating the Historical Debt Service Coverage Ratio of the Obligated Group at the end of each Fiscal Year, and demonstrating that such Historical Debt Service Coverage Ratio is not less than 1.00:1, such Historical Debt Service Coverage Ratio to be computed without taking into account (1) the Additional Indebtedness to be incurred if (x) the interest on such Additional Indebtedness during such period is funded from proceeds thereof or other funds of the Member then on hand and available therefore and (y) no principal of such Additional Indebtedness is payable during such period, and (2) the Revenues to be derived from the project to be financed from the proceeds of such Additional Indebtedness.

Damage or Destruction. Each Member agrees to notify the Master Trustee in writing immediately in the case of the destruction of its Facilities or any portion thereof as a result of fire or other casualty, or any damage to such Facilities or portion thereof as a result of fire or other casualty, the Net Proceeds of which are estimated to exceed the Threshold Amount. If such Net Proceeds do not exceed the Threshold Amount, such Net Proceeds may be paid directly to the Member suffering such casualty or loss. The Members covenant that they will expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months after receipt thereof to (a) repair, replace or restore the damaged or destroyed Facilities, (b) acquire or construct additional capital assets for any one or more Members, or (c) repay the principal portion of any Indebtedness incurred by any one or more Members of the Obligated Group to acquire or construct capital assets or refinance Indebtedness incurred for such purpose.

In the event such Net Proceeds exceed the Threshold Amount, the Member suffering such casualty or loss shall within 12 months after the date on which the Net Proceeds are finally determined, elect by written notice to the Master Trustee one of the following three options:

(a) Option A Repair and Restoration. Such Member may elect to replace, repair, reconstruct, restore or improve any of the Facilities of the Obligated Group or acquire additional Facilities for the Obligated Group or repay Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event an amount equal to the Net Proceeds of any insurance relating thereto shall be deposited, when received, with the Master Trustee and such Member shall proceed forthwith to replace, repair, reconstruct, restore or improve Facilities of the Obligated Group or to acquire additional Facilities and will apply the Net Proceeds of any insurance relating to such damage or destruction received from the Master Trustee to the payment or reimbursement of the costs of such replacement, repair, reconstruction, restoration, improvement or acquisition or to the repayment of such Indebtedness. So long as an Event of Default has not occurred and is continuing hereunder, any Net Proceeds of insurance relating to such damage or destruction received by the Master Trustee shall be released from time to time by the Master Trustee to such Member upon the receipt by the Master Trustee of:

(i) financial projections (provided the Master Trustee shall have no obligation to review such financial projections), which may be prepared by management, demonstrating that the Obligated

Group will have sufficient funds, including the proceeds of business interruption insurance, to pay all Debt Service Requirements, and pay necessary operating expenses until completion of the replacement, repair, reconstruction, restoration, improvement or acquisition; and

(ii) the Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such replacement, repair, reconstruction, restoration, improvement or acquisition and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction, restoration, improvement or acquisition; and

(iii) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Request by an independent architect (provided the Master Trustee may rely upon any such Request of such Member in disbursing funds pursuant to the Master Indenture and shall have no obligation to determine if and when the approval of an independent architect is required).

It is further understood and agreed that in the event such Member shall elect this Option A, such Member shall complete the replacement, repair, reconstruction, restoration, improvement and acquisition of the Facilities, whether or not the Net Proceeds of insurance received for such purposes are sufficient to pay for the same.

(b) Option B Prepayment of Obligations. Such Member may elect to have all of the Net Proceeds payable as a result of such damage or destruction applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of Obligations on a pro rata basis among all Obligations Outstanding; provided, however, to the extent any Obligations constitute Subordinated Indebtedness such Obligations shall only be prepaid to the extent no other Obligations remain Outstanding and such prepayment shall be made on a pro rata basis among all Subordinated Indebtedness to the extent that all Subordinated Indebtedness is secured and payable on a parity basis.

(c) Option C Partial Restoration and Partial Prepayment of Obligations. Such Member may elect to have a portion of such Net Proceeds applied to the replacement, repair, reconstruction, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds with the remainder of such Net Proceeds to be applied to prepay Obligations on a pro rata basis among all Obligations Outstanding, in which event such Net Proceeds to be used for replacement, repair, reconstruction, restoration, improvement and acquisition shall be applied as set forth in subparagraph (a) of the Master Indenture and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subparagraph (b) of this Section.

Notwithstanding the foregoing, the proceeds of business interruption insurance are not subject to the provisions of this Section.

Condemnation. The Master Trustee shall cooperate fully with the Members in the handling and conduct of any prospective or pending condemnation proceedings with respect to their Facilities or any part thereof. Each Member hereby irrevocably assigns to the Master Trustee, as its interests may appear, all right, title and interest of such Member in and to any Net Proceeds of any award, compensation or damages payable in connection with any such condemnation or taking, or payment received in a sale transaction consummated under threat of condemnation (any such award, compensation, damages or payment being hereinafter referred to as an "award"), which exceeds the Threshold Amount. Such Net Proceeds shall be initially paid to the Master Trustee for disbursement or use as hereinafter provided. If such Net Proceeds do not exceed the Threshold Amount, such Net Proceeds may be paid to the Member in question. The Members covenant that they will expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months of the receipt thereof to (i) restore, replace or repair the condemned Facilities, (ii) acquire or construct additional capital assets, or (iii) repay the principal portion of Indebtedness incurred by one or more Members of the Obligated Group to acquire or construct capital assets or to refinance Indebtedness incurred for such purpose.

In the event such Net Proceeds exceed the Threshold Amount, the Member in question shall within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options:

(a) Option A Repairs and Improvements. The Member may elect to use the Net Proceeds of the award for restoration or replacement of or repairs and improvements to the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event, so long as an Event of Default has not occurred and is continuing hereunder, such Member shall have the right to receive such Net Proceeds from the Master Trustee from time to time upon the receipt by the Master Trustee of:

(i) financial projections (provided the Master Trustee shall have no obligation to review such financial projections), which may be prepared by management, demonstrating that the Obligated Group will have sufficient funds, including the proceeds of business interruption insurance, to pay all Debt Service Requirements, and pay necessary operating expenses until completion of the replacement, repair, reconstruction, restoration, improvement or acquisition; and

(ii) the Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such restoration, replacement, repairs, improvements and acquisitions and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such restoration, replacement, repairs, improvements and acquisition; and

(iii) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Request by an independent architect (provided the Master Trustee may rely upon any such Request of such Member in disbursing funds pursuant to the Master Indenture and shall have no obligation to determine if and when the approval of an independent architect is required).

(b) Option B Prepayment of Obligations. Such Member may elect to have such Net Proceeds of the award applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of Obligations on a pro rata basis among all Obligations Outstanding; provided, however, to the extent any Obligations constitute Subordinated Indebtedness such Obligations shall only be prepaid to the extent no other Obligations remain Outstanding and such prepayment shall be made on a pro rata basis among all Subordinated Indebtedness to the extent that all Subordinated Indebtedness is secured and payable on a parity basis.

(c) Option C Partial Restoration and Partial Prepayment of Obligations. Such Member may elect to have a portion of such Net Proceeds of the award applied to the repair, replacement, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds, with the remainder of such Net Proceeds to be applied to the prepayment of Obligations on a pro rata basis among all Obligations Outstanding, in which event such Net Proceeds to be used for repair, replacement, restoration, improvement and acquisition shall be applied as set forth in subparagraph (a) of the Master Indenture and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subparagraph (b) of this Section.

Other Provisions with Respect to Net Proceeds. Amounts received by the Master Trustee in respect of any awards shall, at the Request of the Obligated Group Representative, be deposited with the Master trustee in a special trust account and be invested or reinvested by the Master Trustee as directed in writing by the Obligated Group Representative in Permitted Investments subject to any Member's right to receive the same pursuant to the Master Indenture. Any portion of Net Proceeds not used to repair, restore or make improvements to Facilities will be used to prepay Obligations on a pro rata basis among all Obligations Outstanding.

Financial Statements and Related Matters. The Members covenant they will keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Obligated Group in accordance with generally accepted principles of accounting consistently applied except as may be disclosed in the notes to the audited financial statements. To the extent that generally accepted accounting principles would require consolidation of certain financial information of entities which are not Members of the Obligated Group with financial information of one or more Members, consolidated financial statements prepared in accordance with generally accepted accounting principles which include information with respect to entities which are not Members of the Obligated Group may be delivered in satisfaction of the requirements of this section so long as: (i) supplemental information in sufficient detail to separately identify the information with respect to the Members of the Obligated Group is delivered to the Required Information Recipients with the audited financial statements; (ii) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Required Information Recipients and is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole; and (iii) such supplemental information is used for the purposes hereof or for any agreement, document or certificate executed and delivered in connection or pursuant to the Master Indenture.

For a additional information regarding Financial Statements and Related Matters, see the caption, **"FINANCIAL REPORTING AND CONTINUING DISCLOSURE - Financial Reporting"** in the Official Statement.

Within 10 days after its receipt thereof, the Obligated Group Representative will file with the Required Information Recipients a copy of each Consultant's report or counsel's opinion required to be prepared under the terms of the Master Indenture.

If any Related Bonds are then rated by a Rating Agency, the Obligated Group Representative shall give notice to such Rating Agency promptly after the occurrence of any of the following events: (i) any Event of Default hereunder; (ii) the incurrence by any Obligated Group Member of any Funded Indebtedness (however, notice need not be provided for Capitalized Leases where the net present value of the minimum Capitalized Lease payment is less than \$100,000); (iii) any addition to or withdrawal from the Obligated Group; and (iv) the execution of any Interest Rate Agreement entered into by any Obligated Group Member.

The Obligated Group Representative will give prompt written notice of a change of Accountants by the Obligated Group to the Master Trustee and each Related Bond Trustee. The notice shall state (i) the effective date of such change; (ii) whether there were any unresolved disagreements with the former Accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which the Accountants claimed would have caused them to refer to the disagreement in a report on the disputed matter, if it was not resolved to their satisfaction; and (iii) such additional information relating thereto as such Related Bond Trustee or the Master Trustee may reasonably request.

Each Member will permit the Master Trustee or any such Related Bond Trustee (or such persons as they may designate) to visit and inspect its Property and to discuss the affairs, finances and accounts of the Obligated Group with its officers and independent Accountants, all at such reasonable times and locations and as often as the Master Trustee or such Related Bond Trustee may reasonably desire.

The Obligated Group Representative may designate a different Fiscal Year for the Members of the Obligated Group by delivering a notice to the Master Trustee designating the first and last day of such new Fiscal Year and whether or not there will be any interim fiscal period (the "Interim Period") of a duration of greater than or less than 12 months preceding such new Fiscal Year. The Members covenant that they will furnish to the Master Trustee and each Related Bond Trustee, as soon as practicable, but in no event more than 150 days after the last day of such Interim Period, a financial report for such Interim Period certified Accountants selected by the Obligated Group Representative covering the operations of the Obligated Group for such Interim Period and containing a combined balance sheet as of the end of such Interim Period and a combined statement of changes in fund balances and changes in financial position for such Interim Period and a combined statement of revenues and expenses for such Interim Period, showing in each case in comparative form the financial figures for the comparable period in the preceding Fiscal Year, together with a separate written statement of the Accountants preparing such report and a statement that such Accountants have obtained no knowledge of any default by any Member in the fulfillment of any of the terms, covenants, provisions or conditions of the Master Indenture, or if such Accountants shall have obtained knowledge of any such default or defaults, they shall

disclose in such statement the default or defaults and the nature thereof (but such Accountants shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default).

Delivery of such reports, information and documents described in this section to the Master Trustee is for informational purposes only, and the Master Trustee's receipt thereof will not constitute notice to it of any information contained therein or determinable from information contained therein, including compliance by the Obligated Group or the Members with any of its or their covenants under the Master Indenture, as to which the Master Trustee is entitled to rely exclusively on Officer's Certificates.

Permitted Additional Indebtedness. So long as any Obligations are outstanding, the Obligated Group will not incur any Additional Indebtedness (whether or not incurred through the issuance of Additional Obligations) other than:

(a) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection of this section and any Member wishes to have such Indebtedness classified as having been issued under this subsection (a), prior to such classification, there is delivered to the Master Trustee:

(i) an Officer's Certificate to the effect that for the most recent Fiscal Year for which audited financial statements have been filed with the Master Trustee as required by the Master Indenture, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group was not less than 1.20:1; or

(ii) (A) an Officer's Certificate to the effect that for the most recent Fiscal Year for which audited financial statements have been filed with the Master Trustee as required by the Master Indenture, the Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.20:1; and (B) a written report of a Consultant (prepared in accordance with industry standards) to the effect that the estimated Projected Debt Service Coverage Ratio of the Obligated Group will be not less 1.25:1 for the first full Fiscal Year following the later of (1) the estimated completion of the development, marketing, acquisition, construction, renovation or replacement being paid for with the proceeds of such additional Funded Indebtedness or (2) the first full Fiscal Year following the attainment of Stable Occupancy in the case of construction, renovation or replacement of senior living facilities being financed with the proceeds of such additional Funded Indebtedness, provided that the attainment of Stable Occupancy is projected to occur no later than during the fifth full Fiscal Year following the incurrence of such Funded Indebtedness, or (3) following the incurrence of Funded Indebtedness for other purposes; provided that such report shall include forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for such Fiscal Year and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements must indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing facilities and the debt service on the Obligated Group's other existing Indebtedness during such Fiscal Year.

(b) Completion Funded Indebtedness in an amount of no more than 10% of the Funded Indebtedness originally incurred to finance the construction of the Facilities, if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member for whose benefit such Indebtedness is being issued stating that at the time the original Funded Indebtedness for the Facilities to be completed was incurred, such Member had reason to believe that the proceeds of such Funded 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 an expert setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member stating that the proceeds of such Completion Funded Indebtedness to be applied to the completion of the Facilities, together with other identified funds 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).

(c) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise, including without limitation refunding through the issuance of Crossover Refunding Indebtedness) any outstanding Funded Indebtedness if prior to the incurrence thereof an Officer's Certificate of a Member is delivered to the Master Trustee stating that, taking into account the issuance of the proposed Funded Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased by more than 10%, provided that if only a portion of any outstanding Funded

Indebtedness is being refunded, such Officer's Certificate shall state that under such assumptions the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased.

(d) Short Term Indebtedness (other than accounts payable under subsection (h) hereof), in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short Term Indebtedness of the Obligated Group then outstanding under this subsection (d) but excluding the principal payable on all Funded Indebtedness during the next succeeding 12 months and also excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public Accountants are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year the total amount of such Short Term Indebtedness of the Obligated Group outstanding under this subsection (d) shall be not more than 5% of the Revenues of the Obligated Group during the preceding Fiscal Year plus such additional amount as the Obligated Group Representative certifies in an Officer's Certificate is (A) attributable to Short Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors and (B) in the minimum amount reasonably practicable taking into account such delay. For the purposes of this subsection, Short Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(e) Balloon Indebtedness or Put Indebtedness provided that the conditions described in subparagraph (a) above are satisfied with respect to the incurrence of such Balloon Indebtedness or Put Indebtedness utilizing the assumptions specified below for Balloon Indebtedness and Put Indebtedness.

(f) (Reserved).

(g) Liabilities for contributions to self insurance or shared or pooled risk insurance programs required or permitted to be maintained under the Master Indenture.

(h) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business, including but not limited to deferred obligations for the refund or repayment of Entrance Fees.

(i) Indebtedness incurred in connection with a sale or pledge of accounts receivable with or without recourse by any Member consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted hereby shall not exceed the aggregate sale price of such accounts receivable received by such Member, with Holder Consent.

(j) Non Recourse Indebtedness, without limit.

(k) Extendable Indebtedness if the conditions set forth in subsection (a) above are met when it is assumed that (i) such Indebtedness bears interest at the Projected Rate and is amortized on a level debt service basis over a term equal to the remaining term of the Extendable Indebtedness, or (ii) such Extendable Indebtedness bears interest at the Projected Rate and is payable according to its actual principal amortization schedule, but only if the debt service of all Indebtedness of the Obligated Group outstanding, when the Extendable Indebtedness debt service being calculated is calculated according to this subsection (ii), varies no more than 10% per year.

(l) Subordinated Indebtedness, without limit.

(m) Commitment Indebtedness, without limit.

(n) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions of this subsection (n) and which has not been subsequently reclassified as having been issued under another subsection of this section, does not exceed 10% of the Revenues of the Obligated Group for the latest preceding Fiscal Year for which financial statements

reported upon by independent certified public Accountants are available; provided, however, that the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of subsection (d) and this subsection (n) shall not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public Accountants are available.

Various types of Indebtedness may be incurred under any of the above referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness (e.g., Balloon Indebtedness and Put Indebtedness may be incurred under subsection (a) above if the tests therein are satisfied).

Indebtedness of the type permitted to be incurred under subsection (h) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar institutions without being contested in good faith and by appropriate proceedings.

Prior to, or as soon as reasonably practicable after, the incurrence of Indebtedness by such Member for money borrowed or credit extended, or the equivalent thereof, after the date of issuance of the Series 2017 Notes, it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection of the Master Indenture pursuant to which such Indebtedness was incurred, demonstrates compliance with the provisions of such subsection and attaches a copy of the instrument evidencing such Indebtedness; provided, however, that this requirement shall not apply to Indebtedness incurred pursuant to subsection (g) or (h) of this section.

Prior to incurring Additional Indebtedness for money borrowed from or credit extended by entities other than Related Issuers, sellers of real or personal property for purchase money debt, lessors of such property or banks or other institutional lenders, it will provide the Master Trustee with an opinion of Independent Counsel acceptable to the Master Trustee to the effect that, to such Counsel's knowledge, such Member has complied in all material respects with all applicable state and federal laws regarding the sale of securities in connection with the incurrence of such Additional Indebtedness (including the issuance of any securities or other evidences of indebtedness in connection therewith) and such Counsel has no reason to believe that a right of rescission under such laws exists on the part of the entities to which such Additional Indebtedness is to be incurred.

The Members of the Obligated Group may not incur any Additional Indebtedness the proceeds of which will be used for the acquisition of real Property or the construction of any Facilities unless the right, title and interest in any assets to be financed or refinanced with the proceeds of such Additional Indebtedness and the real estate upon which such assets will be located have been mortgaged and assigned to the Master Trustee pursuant to the Master Indenture and such assets and real estate are not subject to any other Lien except for Permitted Encumbrances.

Calculation of Debt Service and Debt Service Coverage. The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under certain provisions of the Master Indenture be made in a manner consistent with that described in "**Permitted Additional Indebtedness**" above and in this section. In the case of Balloon or Put Indebtedness issued pursuant to subsection (b) or (n) of "**Permitted Additional Indebtedness**," unless such Indebtedness is reclassified pursuant to this section as having been issued pursuant to another subsection of "**Permitted Additional Indebtedness**," the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods shall be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation. With respect to Put Indebtedness, if the option of the holder to require that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date, or if the requirement that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date (other than at the option of such holder and other than pursuant to any mandatory sinking fund or any similar fund), has expired or lapsed as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of debt service, interest on such Indebtedness for such period (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average of the rate of interest (calculated in the manner

in which the rate of interest for the Determination Period is expressed to be calculated) which was in effect on the last date of each of the 12 full calendar months immediately preceding the month in which such calculation is made; provided that if the index or other basis for calculating such interest was not in existence for at least 12 full calendar months next preceding the date of calculation, the rate of interest for such period shall be deemed to be the average rate of interest that was in effect on the last day of each full calendar month next preceding the date of calculation; and if the average rate of interest borne by such Indebtedness for such shorter period cannot be calculated, the rate of interest for such period shall be deemed to be the Projected Rate. No debt service shall be deemed payable upon the exercise by a holder of Extendable Indebtedness of the option to tender such Indebtedness for payment.

Obligations issued to secure Indebtedness permitted to be incurred under "**Permitted Additional Indebtedness**" shall not be treated as Additional Indebtedness.

In the case of Indebtedness related to any Subsidy Bonds, debt service payable shall be computed net of Federal Subsidy Payments scheduled to be received by the issuer of such Subsidy Bonds or the Obligor in connection with such Subsidy Bonds during the applicable time period.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Additional Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal. In addition, no Additional Indebtedness shall be deemed to arise when Indebtedness which bears interest at a variable rate of interest is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such variable rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

For the purpose of determining the Debt Service Requirements on that portion of Additional Indebtedness which constitutes Balloon Indebtedness or Put Indebtedness, at the option of the Obligated Group Representative:

(i) If such Balloon Indebtedness or Put Indebtedness is less than 5% of Revenues for the Fiscal Year preceding the date it is incurred, the Debt Service Requirements on such Additional Indebtedness shall be deemed to be those if such Additional Indebtedness were amortized over a term equal to the lesser of (A) the actual remaining term of such Additional Indebtedness or (B) 25 years, based on level payments of principal and interest, using the Projected Rate (if necessary);

(ii) If the Historical Debt Service Coverage Ratio for the preceding Fiscal Year was at least 1.35:1 and Days Cash on Hand as of the most recent Testing Date was at least 250, the Debt Service Requirements on such Additional Indebtedness shall be deemed to be those which would be payable if such Additional Indebtedness were amortized over a term equal to the lesser of (A) the actual remaining term of such Additional Indebtedness or (B) 25 years, based on level payments of principal and interest, using the Projected Rate (if necessary);

(iii) If the Obligated Group received an enforceable commitment for funding new Additional Indebtedness to repay prior Indebtedness, the Debt Service Requirements of such prior Indebtedness shall be deemed to be those of the new Additional Indebtedness obligation;

(iv) If such Additional Indebtedness is secured by a Credit Facility in an amount at least equal to the principal amount of such Additional Indebtedness, the Debt Service Requirements shall be deemed to be those which will become due from the Obligated Group assuming such Credit Facility is drawn upon to pay such Additional Indebtedness at any maturity of such Balloon Indebtedness; or

(v) If such Additional Indebtedness does not meet any of the requirements of subparagraphs (i), (ii), (iii) or (iv) above, or if such Balloon Indebtedness or Put Indebtedness matures within 12 months of the

date of calculation, the Debt Service Requirements shall include the full amount of principal stated to be due in any year on such Additional Indebtedness.

For the purpose of determining whether any particular Guaranty may be incurred, it shall be assumed that 100% of the Indebtedness guaranteed is Funded Indebtedness of the guarantor under such Guaranty. For the purpose of calculating any historical Debt Service Requirements, the guarantor's Debt Service Requirements under a Guaranty shall be deemed to be the actual amount paid on such Guaranty by the guarantor. For any other purpose, a guarantor shall be considered liable only for 20% of the annual debt service requirement on the Indebtedness guaranteed; provided, however, if the guarantor has been required by reason of its guaranty to make a payment in respect of such Indebtedness within the immediately preceding 24 months, the guarantor shall be considered liable for 100% of the annual debt service requirement on the Indebtedness guaranteed.

For purposes of the various calculations required under the Master Indenture for Capitalized Leases, the Capitalized Rentals under a Capitalized Lease at the time of such calculation shall be deemed to be the principal payable thereon.

Each Member may elect to have Indebtedness issued pursuant to one provision of "**Permitted Additional Indebtedness**," including without limitation subsection (n) of "**Permitted Additional Indebtedness**," reclassified as having been incurred under another provision of "**Permitted Additional Indebtedness**" by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Anything herein to the contrary notwithstanding, any portion of any Indebtedness of any Member for which an Interest Rate Agreement has been obtained or will be obtained simultaneously with the issuance of such Indebtedness by such Member shall be deemed to bear interest for the period of time that such Interest Rate Agreement is in effect at a net rate which takes into account the interest payments made by such Member on such Indebtedness and the Regularly Scheduled Payments made or received by such Member on such Interest Rate Agreement; provided that the long term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the four highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments (regularly scheduled, termination, or otherwise) made by a Member on such Interest Rate Agreement shall be excluded from Expenses and any payments (regularly scheduled, termination, or otherwise) received by a Member on such Interest Rate Agreement shall be excluded from Revenues, in each case, for all purposes of the Master Indenture.

Sale or Lease of Property. Each Member agrees that it will not sell, lease, donate, transfer or otherwise dispose (including without limitation any involuntary disposition) of Property unless the Obligated Group Representative determines that the Property has been sold, leased, donated, transferred or otherwise disposed of in one or more of the following transfers or other dispositions of Property:

(a) In return for other Property of equal or greater value and usefulness (if such value is estimated to be greater than \$25,000 it shall be evidenced by an independent appraisal of such Property obtained in the manner provided for under the definition of "Current Value" herein);

(b) In the ordinary course of business upon fair and reasonable terms;

(c) To any Person, if prior to such sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of a Member stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(d) From a Member to another Member provided that no portion of any Facilities financed with proceeds of any Related Bonds may be transferred by the Obligor to any other Member unless the Bond Trustee has received an

opinion of nationally recognized bond counsel to the effect that such transfer will not adversely affect (i) the validity of such Related Bonds or (ii) with respect to any Related Bonds the interest on which is tax-exempt, the exclusion of interest on such Related Bonds from the gross income of the owners thereof for federal income tax purposes;

(e) Upon fair and reasonable terms no less favorable to the Member than would be obtained in a comparable arm's length transaction;

(f) The Property sold, leased, donated, transferred or otherwise disposed of does not, for any consecutive 12 month period, exceed 3% of the total Book Value or, at the option of the Obligated Group Representative, the Current Value of all Property of the Obligated Group and (i) the Historical Debt Service Coverage Ratio was not less than 1.30:1 for the last Fiscal Year for which audited financial statements have been delivered to the Master Trustee; provided that if such transfer is of cash or investments, then in calculating the Historical Debt Service Coverage Ratio for purposes of such transfer, the Income Available for Debt Service will be reduced by one year's estimated interest earnings attributable the moneys to be used for such transfer using, at the option of the Obligated Group Representative, either the current budgeted investment rate, or the actual average investment rate on the transferred funds, as certified in an Officer's Certificate, and (ii) as of the end of the last fiscal quarter for which financial statements have been delivered to the Master Trustee as required under the Master Indenture, the Obligated Group had not less than 180 Days Cash on Hand after giving effect to the transaction. If the Historical Debt Service Coverage Ratio as calculated above is not less than 1.30:1, the foregoing percentage of the total Book Value or Current Value may be increased as follows under the following conditions:

(A) to 5%, if Days Cash on Hand would not be less than 200 after the effect of such sale, lease or disposition of assets; or

(B) to 7.5%, if Days Cash on Hand would not be less than 300 after the effect of such sale, lease or disposition of assets; or

(C) to 10%, if Days Cash on Hand would not be less than 400 after the effect of such sale, lease or disposition of assets; and

(g) To any Person if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Obligations.

(h) To an Affiliate in accordance with the Master Indenture.

For avoidance of doubt, it is understood that the Master Indenture does not prohibit any transfer of cash by a Member in payment of any of its obligations, indebtedness and liabilities, the incurrence of which obligation, indebtedness or liability did not or would not, either immediately or with the giving of notice, the passage of time or both, result in the occurrence of an Event of Default.

For purposes of this section, payments by the Obligated Group of any development, marketing, operating, or other subordinated fees that have been deferred from the year in which they were originally due as a result of subordination will not be treated as a disposition of Property.

In connection with any sale, lease or other disposition of Property, to the extent the Member of the Obligated Group receives Property in return for such sale, lease or disposition, the Property which is sold, leased or disposed of shall be treated, for purposes of the provisions of this section, as having been transferred in satisfaction of the provisions of subsection (a) above to the extent of the fair market value of the Property received by the Member of the Obligated Group. The Member shall be required, however, to satisfy the conditions contained in one of the other provisions of this section with respect to the remaining value of such Property in excess of the fair market value of the Property received by the Member in return therefor prior to any such sale, lease or other disposition.

The foregoing provisions of this section notwithstanding, each Member further agrees that it will not sell, lease, donate or otherwise dispose of Property (A) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Historical Debt Service Coverage Ratio for the Obligated Group such that the Master Trustee would be obligated to require the Obligated Group to retain a Consultant pursuant to the Master

Indenture, or (B) if a Consultant has been retained in the circumstances described in the Master Indenture, such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service of the Obligated Group. The rendering of any service, the making of any loan or gift, the extension of any credit or any other transaction, with any Affiliate shall be permitted if there is compliance with any of Subsections (a) through (h) above or if such transaction is pursuant to the reasonable requirements of such Member's activities and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's length transaction with a person not an Affiliate.

Liens on Property. (a) Each Member covenants that it will not create or permit to be created or remain and, at its cost and expense, promptly discharge or terminate all Liens on its Property or any part thereof which are not Permitted Encumbrances.

(b) Subsection (a) notwithstanding, a Lien on Property of any Member securing Indebtedness shall be classified a Permitted Encumbrance (as provided in clause (b) of the definition thereof) and therefore be permitted if:

(i) such Lien secures Non Recourse Indebtedness; or

(ii) (A) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection (ii)(A), the Book Value or, at the option of the Obligated Group Representative, the Current Value of the Property of the Obligated Group which is Encumbered is not more than 2% of the value of all of the Property of the Obligated Group (calculated on the same basis as the value of the Encumbered Property) and (b) the conditions described in subparagraph (a) under "**Permitted Additional Indebtedness**" above are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

Liquidity Covenant. The Obligated Group covenants that it will calculate the Cash to Indebtedness Ratio and the Days Cash on Hand of the Obligated Group as of June 30 and December 31 of each Fiscal Year commencing with June 30 in the Initial Testing Period (each such date being a "Testing Date"). The Obligated Group shall deliver an Officer's Certificate setting forth such calculation as of June 30 to the Master Trustee not less than 45 days after such June 30, and include such calculation as of December 31 in the Officer's Certificate delivered pursuant to the Master Indenture.

Each Obligated Group Member is required to conduct its business so that on each Testing Date the Obligated Group shall have (a) no less than 180 Days Cash on Hand and (b) a Cash to Indebtedness Ratio of (i) no less than 0.25:1 on each of the first two Testing Dates, (ii) no less than 0.275:1 for the next two following Testing Dates, and (iii) no less than 0.30:1 on each Testing Date thereafter (the "Liquidity Requirement"). Upon the receipt by the Master Trustee of an Officer's Certificate of the Obligated Group Representative demonstrating that on each Testing Date for three consecutive Fiscal Years, the Obligated Group reported (x) an Historical Debt Service Coverage Ratio of 1.30:1 or more, and (y) a Cash to Indebtedness Ratio of 0.30:1 or more, the Cash to Indebtedness Ratio requirement set forth in (b) of the preceding sentence shall be eliminated, and the Liquidity Requirement will be a covenant to maintain no less than 180 Days Cash on Hand on each Testing Date thereafter.

If the Cash to Indebtedness Ratio or the amount of the Days Cash on Hand, as applicable, as of any Testing Date is less than the Liquidity Requirement, the Obligated Group Representative shall, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, deliver an Officer's Certificate 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 raise the level of the Cash to Indebtedness Ratio or Days Cash on Hand, as applicable, to the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised the level of the Cash to Indebtedness Ratio or the Days Cash on Hand, as applicable, to the Liquidity Requirement by the next Testing Date immediately subsequent to delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative shall, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, select a Consultant in accordance with the Master Indenture to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Cash to Indebtedness Ratio or the Days Cash on Hand, as applicable, to the Liquidity Requirement for future Testing Dates. A copy of the Consultant's report and recommendations, if any, shall be filed with each Member and each Required Information Recipient within 60 days of the actual engagement of any such Consultant. Each Member of the Obligated Group shall

follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any 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 and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

Marketing Covenant. For a description of the provisions pertaining to the marketing covenant, see the caption "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Marketing Covenant**" in the Official Statement.

Occupancy Covenant. For a description of the provisions pertaining to the occupancy covenant, see the caption "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Occupancy Covenant**" in the Official Statement.

Cumulative Cash Operating Loss Covenant. For a description of the provisions pertaining to the cumulative cash from operating loss covenant, see the caption "**SECURITY FOR THE BONDS - Certain Covenants of the Obligated Group - Cumulative Cash Operating Loss Covenant**" in the Official Statement.

Use of Moneys in Funds. The Obligor covenants that it will use amounts on deposit in the Working Capital Fund and the Operating Reserve Fund to pay debt service on any Indebtedness of the Obligor prior to any amounts on deposit in any debt service reserve fund relating to such Indebtedness being used for such purpose.

Changes in Pricing Structure. (a) The Obligated Group covenants that prior to taking any action to decrease Initial Entrance Fees, monthly service fees or per diem charges with respect to the Facilities that would decrease the amount of Initial Entrance Fees (as shown in the Feasibility Study) by more than 10% or the amount of Total Revenues of the Obligor as shown in the Forecasted Statements of Operations and Changes in Net Deficit in the Feasibility Study by more than 10% for the current or any future Fiscal Year, the Obligated Group Representative will notify the Master Trustee and each Required Information Recipient of such action. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Holders of all Obligations Outstanding under the Master Indenture of such action. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include a breakdown of the changes to the Initial Entrance Fees, monthly service fees and per diem charges by amounts, unit types and categories, including the aggregate net change to the Initial Entrance Fees and Total Revenues for each Fiscal Year, (ii) state the reason that such changes are necessary, and (iii) state that the Holder of the Obligation will be deemed to have consented to such changes unless such Holder submits an objection to such changes in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee shall notify the Obligated Group Representative of the number of objections. If 66.6% or more in aggregate principal amount of the Holders of the Outstanding Obligations have consented to such changes or have not responded to the request for consent, the Obligated Group Representative may put such changes into effect. If more than 33.4% in aggregate principal amount of the Holders of the Obligations Outstanding have objected to such changes, the Obligated Group Representative shall not put such changes into effect.

(b) When the Master Trustee notifies the Holders of Obligations of such changes, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subparagraph (a) above to the owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to such changes in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related Bonds have consented to such changes or have not responded to the request for consent, the Related Bond Trustee shall notify the Master Trustee that it consents to such changes. If more than 33.4% in aggregate principal amount of the owners of the Related Bonds outstanding have objected to such changes, the Related Bond Trustee shall notify the Master Trustee that it objects to such changes.

The 15-day notice period described in (a) above may be extended by no more than 10 additional days by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of an Obligation securing any Related Bonds, the Related Bond Trustee agrees to comply with the provisions of the Master Indenture.

(c) The Obligated Group will no longer be subject to the requirements of the Master Indenture once all of the Temporary Bonds have been fully redeemed or otherwise paid in full.

Rating Application. The Obligated Group Representative covenants that, not later than 150 days after receipt by the Obligated Group Representative of the audited financial report of the Obligated Group for the first full Fiscal Year following the achievement of Stable Occupancy and each Fiscal Year thereafter, the Obligated Group will approach any Rating Agency to obtain a credit rating until the Obligated Group obtains an investment grade credit rating from any Rating Agency. Notwithstanding the foregoing, (a) the requirement to annually approach a Rating Agency shall be suspended for such time as the Obligated Group maintains an investment grade credit rating; and (b) the Obligated Group shall not be required to approach a Rating Agency to obtain a credit rating if the Obligated Group Representative reasonably believes that the Obligated Group will not meet the criteria of any Rating Agency for an investment grade credit rating based on the then-existing published rating criteria of the Rating Agencies.

Approval of Consultants. If at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture with respect to the Liquidity Support Account, rate covenant, liquidity covenant, marketing covenant, occupancy covenant and cumulative cash operating loss covenant, such Consultant shall be engaged in the manner set forth below.

Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee and the Required Information Recipients of such selection. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations outstanding under the Master Indenture of such selection. Such notice shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Obligation holder submits an objection to the selected Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Obligations holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If 66.6% or more in aggregate principal amount of the holders of the outstanding Obligations have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Consultant within three Business Days. If more than 33.4% in aggregate principal amount of the owners of the Obligations outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with these procedures.

When the Master Trustee notifies the Holders of Obligations of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subparagraph (b) above to the owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related Bonds have consented to the selection of the Consultant or have not responded to the request for consent, the Related Bond Trustee shall notify the Master Trustee that it consents to the selection of the Consultant. If more than 33.4% in aggregate principal amount of the owners of the Related Bonds outstanding have objected to the Consultant selected, the Related Bond Trustee shall notify the Master Trustee that it objects to the Consultant selected.

The 15-day notice period described above may be extended by no more than 10 additional days by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of an Obligation securing any Related Bonds, the Related Bond Trustee agrees to comply with these provisions.

Management. The Obligor covenants to provide for management of the Facilities through competent and qualified persons having experience in the management of a continuing care retirement community and related elder care facilities similar to the Facilities. Any contract with a manager shall provide that such contract may be terminated by the Obligor at any time. While any Obligations with respect to tax-exempt Related Bonds are Outstanding, the Obligor shall not enter into any management contract or contract for services at the Facilities unless the contract complies with Internal Revenue Service Rev. Proc. 97-13 (1997-1 C.B. 632), as modified by Rev. Proc. 2001-39, Rev. Proc. 2016-44, and Rev. Proc. 2017-13, as may be modified further from time to time.

Payments or Transfers of Cash to Affiliates. (a) The Obligated Group may not make any payments or other transfer of cash to an Affiliate unless (i) the Temporary Bonds have been paid in full; (ii) the Historical Debt Service Coverage Ratio of the Obligated Group for the two preceding twelve Fiscal Years was not less than 1.35:1; (iii) there is no deficiency in any Related Bonds Debt Service Reserve Fund; (iv) the Days Cash on Hand for each of the two preceding Testing Dates was not less than 250; (v) the Independent Living Units that are part of the Facilities have had an average occupancy for the preceding twelve months of not less than 90%; (vi) the Independent Living Units, the assisted living units, the memory support units and the nursing beds that are part of the Facilities collectively have had an average occupancy for the preceding six months of not less than 85%; (vii) no Deferred Affiliate Management Fees are then outstanding, (viii) no Subordinated Indebtedness to any Affiliate is then outstanding; and (ix) no Event of Default has occurred and is continuing hereunder. If the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group can transfer to an Affiliate 50% of the amount of Cash and Investments that are in excess of the greater of (A) 300 Days Cash on Hand or (B) the most recently published BBB- median for Days Cash on Hand for Fitch. In addition, if the Obligated Group is in compliance with requirements (i) through (ix) above, the Obligated Group can transfer to an Affiliate 100% of the amount of Cash and Investments that are in excess of the greater of (A) 375 Days Cash on Hand or (B) the most recently published BBB median for Days Cash on Hand for Fitch.

(b) Payments of Affiliate Development Fees, Current Affiliate Management Fees and Deferred Affiliate Management Fees are not required to comply with the provisions of the above paragraph.

Consolidation, Merger, Conveyance And Transfer. Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

(i) Any successor corporation to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Agreement or the Master Indenture;

(iii) Assuming that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member and that the Revenues and Expenses of the Member for such most recent Fiscal Year include the Revenues and Expenses of such other corporation (A) immediately after such merger or consolidation, sale or conveyance, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public Accountants are available would be not less than 1.20:1 or that such Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group is greater than the Historical Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year prior to such merger or consolidation, sale or conveyance and (B) immediately after such merger or consolidation, sale or conveyance, the Obligated Group would be in compliance with the Liquidity Requirement of the Master Indenture for the most recent quarter after adjustment for the change or that such calculation of Days Cash on Hand of the Obligated Group is greater than such calculation would be immediately prior to such merger or consolidation, sale or conveyance; and

(iv) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an Opinion of Bond Counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

(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 herein as such Member. Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the conditions described under "**Admission of Obligated Group Members**" below to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status. Any successor corporation to such Member thereupon may cause to be signed and may issue in its own name Obligations hereunder and the predecessor corporation shall be released from its obligations hereunder and under any Obligations, if such predecessor corporation shall have conveyed all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued hereunder by such prior Member 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.

Admission of Obligated Group Members. Any other Person may become a Member of the Obligated Group if:

(a) Such Person is a business entity;

(b) Such Person shall execute and deliver to the Master Trustee a Supplement which shall be executed by the Master Trustee and the Obligated Group Representative, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions described under "**Withdrawal of Obligated Group Members**" below) to jointly and severally make payments upon each Obligation;

(c) The Obligated Group Representative and each Member shall have approved the admission of such Person to the Obligated Group; and

(d) The Master Trustee shall have received (i) an Officer's Certificate of the Obligated Group Representative which (A) demonstrates that (1) immediately upon such Person becoming a Member of the Obligated Group, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public Accountants are available, after adjustment for the addition of the new Member, would be not less than 1.20:1, or that such Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group with such Person is greater than the Historical Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year without such Person becoming a Member of the Obligated Group, and (2) immediately upon such Person becoming a Member of the Obligated Group, the Obligated Group would be in compliance with the Liquidity Requirement based on the most recent quarterly financial statements delivered to the Master Trustee or that such calculation of Days Cash on Hand of the Obligated Group is greater than such calculation would be without such Person becoming a Member of the Obligated Group; (B) states that prior to and immediately after such Person becoming a Member of the Obligated Group, no event of default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default; and (C) prior to and immediately after such Person becoming a Member of the Obligated Group, the Members would not be in default in the performance or observance of any covenant or condition to be performed or observed hereunder; (ii) an opinion of Independent Counsel to the effect that (x) the instrument described in subparagraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other

laws generally affecting enforcement of creditors' rights and application of general principles of equity and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax Exempt Organization of any Member which otherwise has such status; (iii) evidence from each Rating Agency then maintaining a rating on any series of Related Bonds to the effect that the admission of such Person to the Obligated Group will not result in a lower rating on such series of Related Bonds; (iv) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an Opinion of Bond Counsel to the effect that under then existing law the consummation of such transaction would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Bond otherwise entitled to such exemption; provided that in making the calculation called for by subsection (d)(i) above, (x) there shall be excluded from Revenues any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs and (y) there shall be excluded from Expenses any Expenses related to Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Obligated Group Members. Upon any Person's becoming an Obligated Group Member in accordance with the Master Indenture:

- (a) the Master Trustee may pursue any remedies consequent upon an Event of Default against any Obligated Group Member, or all of them, without notice to, demand upon or joinder of (and without in any way releasing) any of the others, or against any one or more or all of them at the same time or at different times;
- (b) any right of contribution or right acquired by subrogation by any Obligated Group Member against any other Obligated Group Member arising out of the payment of Debt shall be subordinated to the rights of the Master Trustee and the Holders of Obligations; and
- (c) each Obligated Group Member shall designate the Obligated Group Representative as its attorney in fact with full power of substitution to perform, satisfy, and discharge every obligation, covenant, duty or liability to be performed on the part of the Obligated Group Member hereunder.

Withdrawal of Obligated Group Members. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

- (a) prior to the cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized bond counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;
- (b) prior to the cessation of such status, there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative to the effect that: (i) (A) immediately after such cessation the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public Accountants are available, after adjustment for the removal of the Member, would be not less than 1.20:1 or that such Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group is greater than the Historical Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year prior to such cessation and (B) immediately after such cessation, the Obligated Group would be in compliance with the Liquidity Requirement for the most recent quarter after adjustment for the removal of the Member, or that such calculation of Days Cash on Hand of the Obligated Group is greater than such calculation would be immediately prior to such cessation; (ii) prior to and immediately after such cessation, no Event of Default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default; (iii) evidence from each Rating Agency then maintaining a rating on any series of Related Bonds to the effect that the withdrawal of such Person from the Obligated Group will not result in a lower rating

on such series of Related Bonds; and (iv) prior to and immediately after such cessation, the Members would not be in default in the performance or observance of any covenant or condition to be performed or observed hereunder;

(c) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel (which Counsel and opinion are acceptable to the Master Trustee) to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax Exempt Organization of any Member which otherwise has such status; and

(d) prior to cessation of such status, the Obligated Group Representative and each Member, consents in writing to the withdrawal by such Member.

Successor Obligated Group Representative. The Obligor shall serve as the Obligated Group Representative until such time as the Obligor either (i) withdraws from the Obligated Group in accordance with the Master Indenture or (ii) delivers to the Master Trustee its resignation as the Obligated Group Representative. The Obligor covenants to fulfill all of the duties of the Obligated Group Representative under the Master Indenture. The Obligor agrees that it shall not withdraw from the Obligated Group or resign as Obligated Group Representative until the Obligor has appointed another Obligated Group Representative and such successor Obligated Group Representative has accepted its duties in writing. Each Obligated Group Member by becoming an Obligated Group Member acknowledges that the Obligated Group Representative has certain powers and duties under the Master Indenture and authorizes the Obligated Group Representative to exercise such powers and carry out such duties.

Defaults and Remedies. Each of the following events constitutes an "Event of Default" under the Master Indenture whatever the reason for such Event of Default and whether it is voluntary or involuntary or occurred by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) default in the payment of the principal of (or premium, if any), or interest on any Obligation when due and payable at Maturity and the continuance of such default beyond the period of grace, if any, provided in the instrument creating such Obligation; or

(b) any Obligated Group Member fails to observe or perform any other covenant or agreement (other than a covenant or agreement whose performance or observance is described in this section) on the part of such Person contained in the Master Indenture for a period of 45 days after the date of written notice of such failure, has been given to the Obligated Group Representative by the Master Trustee, or to the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of the Obligations then Outstanding; provided that if any such default can be cured by such Obligated Group Member but cannot be cured within the 45 day curative period described above, it will not constitute an Event of Default if corrective action is instituted by such Obligated Group Member within such 45 day period and diligently pursued until the default is corrected; or

(c) a decree or order by a court having jurisdiction in the premises has been entered adjudging any Obligated Group Member a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Group Member under the Federal Bankruptcy Code or any other similar applicable Federal or State law, and such decree or order has continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of any Obligated Group Member or of its property, or for the winding up or liquidation of its affairs, has been entered, and such decree or order remained in force undischarged and unstayed for a period of 90 days; or

(d) any Obligated Group Member has instituted proceedings to be adjudicated a voluntary bankrupt, or has consented to the institution of a bankruptcy proceeding against it, or has filed a petition or answer or consent seeking reorganization or arrangement under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or has consented to the filing of any such petition, or has consented to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its Trust Estate, or has made assignment for the benefit of creditors, or has admitted in writing its inability to pay its debts generally as they become due, or action has been taken by the Governing Body of any Obligated Group Member in furtherance of any of the aforesaid purposes; or

(e) any Obligated Group Member has failed to pay or make provision for payment of any recourse Indebtedness (other than Subordinated Indebtedness owed to an Affiliate of such Obligated Group Member) having a principal balance of not less than \$100,000 and the continuance of such failure beyond the period of grace therein provided, if any; or

(f) the Master Trustee has received written notice of an event of default, as therein defined, under any instrument under which Obligations may be incurred or secured, or under any Related Bond Indenture, has occurred and is continuing beyond the applicable period of grace, if any.

If an Event of Default occurs and is continuing, then the Master Trustee or the Holders of not less than 25% in principal amount of the Outstanding Obligations (or, in the case of any Event of Default described in subparagraph (f) above resulting in the loss of any exclusion from gross income of interest on, or the invalidity of, any Indebtedness secured by a pledge of Obligations, the Holders of not less than 25% in principal amount of the Outstanding Obligations of the affected series) may declare the principal of all the Obligations to be due and payable immediately, by written notice to the Obligated Group Representative and all Holders of Obligations (and to the Master Trustee if given by the Holders of Obligations), and upon any such declaration such principal becomes immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Master Trustee, the Holders of a majority in principal amount of the Outstanding Obligations, by written notice to the Obligated Group Representative and the Master Trustee, may rescind and annul such declaration and its consequences if

(a) one or more Obligated Group Members has paid or deposited with the Master Trustee a sum sufficient to pay

(1) all overdue installments of interest on all Obligations,

(2) the principal of (and premium, if any, on) any Obligations which have become due otherwise than by declaration of acceleration and interest thereon at the rate borne by the Obligations, and

(3) all sums paid or advanced by the Master Trustee under the Master Indenture and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of Obligations which have become due solely by such acceleration, have been cured or waived as provided in the Master Indenture.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Collection of Indebtedness and Suits for Enforcement by Master Trustee. The Obligated Group Members covenant (subject to any notice and grace periods contained herein) that if:

(a) default is made in the payment of any installment of interest on any Obligation when such interest becomes due and payable, or

(b) default is made in the payment of the principal of (or premium, if any, on) any Obligation at the maturity thereof,

each Obligated Group Member will, upon demand of the Master Trustee, pay to it, for the benefit of the Holders of such Obligations and coupons, the whole amount then due and payable on such Obligations and coupons for principal (and premium, if any) and interest, with interest at the rate borne by the Obligations upon the overdue principal (and premium, if any); and, in addition, such further amount to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel.

If the Obligated Group Members fail to pay any of the foregoing amounts upon demand, the Master Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Obligated Group Members or any other Corporation upon the Obligations and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Obligated Group Members or any other Corporation upon the Obligations, wherever situated.

If an Event of Default occurs and is continuing, the Master Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Obligations by such appropriate judicial proceedings as the Master Trustee deems most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Master Indenture or in aid of the exercise of any power granted in the Master Indenture, or to enforce any other proper remedy.

Limitations on Suits. No Holder of any Obligation has any right to institute any proceeding, judicial or otherwise, with respect to the Master Indenture, or for the appointment of a receiver or trustee, or for any other remedy unless

- (a) such Holder has previously given written notice to the Master Trustee of a continuing Event of Default;
- (b) the Holders of not less than 25% in principal amount of the Outstanding Obligations have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee;
- (c) such Holder or Holders have offered to the Master Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Master Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Master Trustee during such 60 day period by the Holders of a majority in principal amount of the Outstanding Obligations; it being understood and intended that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holders of Obligations, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under the Master Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Obligations.

Control by Holders. Holders of a majority in principal amount of the Outstanding Obligations have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee or exercising any trust or power conferred on the Master Trustee, provided that

- (i) such direction does not conflict with any rule of law or with the Master Indenture,
- (ii) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction;
- (iii) the Master Trustee shall not be required to act on any direction given to it until indemnity is provided to it by such Holders; and
- (iv) the Master Trustee shall disregard all Obligations which constitute Subordinated Indebtedness as provided in the Master Indenture.

Application of Money Collected. Any money collected by the Master Trustee pursuant to the remedy provisions of the Master Indenture, and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Master Trustee, its agents and counsel, and any taxes, assessments, or liens

prior to the lien of the Master Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, together with, in the case of any entry or sale as otherwise provided herein, any other sums then held by the Master Trustee as part of the Trust Estate, shall be deposited in the Revenue Fund created by the Master Indenture, shall be applied in the order specified in the Master Indenture, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any), upon presentation of the Obligations and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid.

Resignation or Removal of the Master Trustee. The Master Trustee may resign at any time by giving written notice to the Obligated Group Representative. If an instrument of acceptance by a successor Master Trustee has not been delivered to the Master Trustee within 30 days after the Master Trustee gives notice of resignation, the resigning Master Trustee may petition a court of competent jurisdiction for the appointment of a successor Master Trustee.

The Master Trustee may be removed (i) if no Event of Default has occurred and is continuing under the Master Indenture, then by act of the Obligated Group Representative and (ii) at any time by the Holders of a majority in principal amount of the Outstanding Obligations. In addition, the Master Trustee may be removed by the Obligated Group Representative or (upon the petition of any Holder of an Obligation who has been a bona fide Holder thereof for at least 6 months) by a court of competent jurisdiction, if at any time the Master Trustee ceases to be eligible under the Master Indenture and fails to resign after written request by the Obligated Group Representative, or any Holder of an Obligation, or the Master Trustee becomes incapable of acting or is adjudged a bankrupt or insolvent or a receiver of the Master Trustee or of its property is appointed or any public official takes charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

Neither the resignation nor removal of the Master Trustee nor the appointment of a successor Master Trustee will become effective until the acceptance of appointment by a successor Master Trustee under the Master Indenture.

If the Master Trustee resigns, is removed, or becomes incapable of acting, or if a vacancy occurs in the office of Master Trustee for any cause, the Obligated Group Representative shall promptly to appoint a successor Master Trustee. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Master Trustee is appointed by the Holders of a majority in principal amount of the Outstanding Obligations, the successor Master Trustee so appointed will supersede the successor Master Trustee appointed by the Obligated Group Representative. If no successor Master Trustee has been appointed by the Obligated Group Representative or the Holders of Obligations, any Holder of an Obligation who has been a bona fide Holder of an Obligation for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

The Obligated Group Representative is required to mail notice of each resignation and each removal of the Master Trustee and each appointment of a successor Master Trustee to the Registered Holders of Obligations at their addresses appear in the books of the Obligation Register.

Concerning the Master Trustee. The Master Indenture contains various limitations on the liability of the Master Trustee. The Master Trustee is not liable for any error of judgment made in good faith, unless the Master Trustee was negligent in ascertaining the pertinent facts. The Master Trustee is not liable for 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. No provision of the Master Indenture requires the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Master Indenture, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured. In the absence of bad faith on its part, and the Master Trustee may conclusively rely, as to the truth of 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.

Amendments and Waivers. (a) Without the consent of the Holders of any Obligations, each Obligated Group Member, and the Master Trustee at any time may enter into one or more indentures supplemental to the Master Indenture for any of the following purposes:

(i) to evidence the succession of another Person to an Obligated Group Member, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of an Obligated Group Member pursuant to the Master Indenture or additions to, or withdrawals from, membership in the Combined Group in accordance with the provisions of the Master Indenture;

(ii) to add to the covenants of the Obligated Group Members for the benefit of the Holders of Obligations, or to surrender any right or power in the Master Indenture conferred upon the Obligated Group Members or to add to the Events of Default enumerated in the Master Indenture;

(iii) to cure any ambiguity or to correct or supplement any provision in the Master Indenture that may be inconsistent with any other provision in the Master Indenture, or to make any other provision with respect to matters or questions arising under the Master Indenture that is not inconsistent with the Master Indenture provided such action does not adversely affect the interests of the Holders of Obligations;

(iv) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar Federal or state statute or regulation including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions in the Master Indenture and the Obligated Group Members undertake such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture; provided, however, that nothing in the Master Indenture will be deemed to authorize inclusion in the Master Indenture or in any indenture supplemental provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

(v) to create and provide for the issuance of Obligations as permitted under the Master Indenture;

(vi) to increase or maintain any credit rating assigned to any series of Related Bonds by a Rating Agency so long as no Obligation issued under the Master Indenture is secured on a basis senior to other Obligations;

(vii) to specify and determine matters necessary or desirable for the incorporation of any future rules and regulations with respect to Subsidy Bonds;

(viii) to permit the financial statements required therein to more accurately reflect the financial position and operations of the Obligated Group; and

(ix) to make any amendment to any provision of the Master Indenture or to any Supplement which is only applicable to Obligations issued thereafter or which will not apply so long as any Obligation then Outstanding remains Outstanding.

(b) With the consent of the Holders of not less than a majority in principal amount of the Outstanding Obligations, by Act of said Holders delivered to the Obligated Group Representative and the Master Trustee, each Obligated Group Member, and the Master Trustee may enter into Supplements for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of modifying in any manner the rights of the Holders of the Obligations under the Master Indenture; provided, however, that no such Supplement shall, without the consent of the Holder of each Outstanding Obligation affected thereby,

(i) change the Stated Maturity of the principal of, or any installment of interest on (or any mandatory redemption date for, any Obligations, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any Place of Payment where, or the coin or currency in which, any Obligations or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date), or

(ii) reduce the percentage in principal amount of the Outstanding Obligations, the consent of whose Holders is required for any such Supplement, or the consent of whose Holders is required for any waiver

(of compliance with certain provisions of the Master Indenture or certain defaults thereunder and their consequences) provided for in the Master Indenture, or

(iii) modify any of the provisions of this paragraph or certain other provisions as described in the Master Indenture, except to increase any such percentage or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Holder of each Obligation affected thereby.

It is not necessary for any Act of Holders of Obligations under this paragraph to approve the particular form of any proposed Supplement, but it will be sufficient if such Act approves the substance thereof.

For all purposes of this section, Obligations which constitute Subordinated Indebtedness shall be disregarded.

(c) In executing, or accepting the additional trusts created by, any Supplement permitted by the Master Indenture, the Master Trustee is entitled to receive, and is fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by the Master Indenture. The Master Trustee may, but is not (except to the extent required by the Master Indenture) obligated to, enter into any such supplemental indenture which affects the Master Trustee's own rights, duties or immunities under the Master Indenture or otherwise.

Defeasance. (a) If at any time the Obligated Group Members have paid or caused to be paid the principal of (and premium, if any) and interest on all the Obligations Outstanding under the Master Indenture, as and when the same have become due and payable (in the case of Obligations related to any Subsidy Bonds, without regard to expected Federal Subsidy Payments), and if the Obligated Group Members have also paid or provided for the payment of all other sums payable under the Master Indenture by each Obligated Group Member, then the Master Indenture will cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Obligations, (iii) rights of Holders to receive payments of principal thereof (and premium, if any) and interest thereon and remaining obligations of the Obligated Group Members to make mandatory sinking fund payments, (iv) the rights, remaining obligations, if any, and immunities of the Master Trustee under the Master Indenture and (v) the rights of the Holders as beneficiaries of the Master Indenture with respect to the property so deposited with the Master Trustee payable to all or any of them) and the Master Trustee, on the Obligated Group Representative's Request accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Obligated Group Representative, shall execute proper instruments acknowledging satisfaction of and discharge the Master Indenture.

(b) The Obligations will be deemed to have been paid if (i) in case of Obligations to be redeemed on any date prior to their Stated Maturity, the Obligated Group Representative, by Obligated Group Representative Request, has given to the Master Trustee in satisfactory form its irrevocable instructions to give notice of redemption of such Obligations, (ii) there has been deposited with the Master Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as established by an Officer's Certificate delivered to the Master Trustee accompanied by a report of an Accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any), and interest due and to become due on such Obligations (in the case of Obligations related to any Subsidy Bonds, without regard to expected Federal Subsidy Payments) on and prior to the redemption date or Stated Maturity thereof, as the case may be, and (iii) in the event such Obligations are not by their terms subject to redemption within the next 45 days, the Obligated Group Representative, by Obligated Group Representative Request, must have given the Master Trustee in satisfactory form its irrevocable instructions to give a notice to the Holders of such Obligations that the deposit required by (ii) above has been made with the Master Trustee and that such Obligations are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which money is to be available for the payment of the principal of (and premium, if any), and interest on such Obligations (in the case of Obligations related to any Subsidy Bonds, without regard to expected Federal Subsidy Payments) or (iv) such Obligations are delivered to the Master Trustee by the Related Bond Trustee together with instructions from the Obligated Group Representative directing the Master Trustee to retire and cancel such Obligations.

THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture. Such summary does not purport to be complete and is qualified in its entirety by reference to the Bond Indenture.

General. The Issuer and the Bond Trustee will execute the Bond Indenture under which the Series 2017 Bonds are being issued. Under the Bond Indenture, the Issuer pledges, conveys, and assigns to the Bond Trustee all of its right and interest in (a) any Notes delivered pursuant to the Loan Agreement, (b) the Loan Agreement (except for certain rights to payment of expenses and indemnification), (c) amounts on deposit in the Bond Fund, Reserve Fund, Construction Fund and Cost of Issuance Fund, held under the Bond Indenture subject to the terms thereof, and (d) any and all property which may from time to time be held or pledged as security for the Series 2017 Bonds pursuant to the terms of the Bond Indenture. The Bond Indenture creates a Bond Fund, Reserve Fund, Cost of Issuance Fund and Construction Fund, each of which is to be held by the Bond Trustee and the Rebate Fund, which are not assigned to the Bond Trustee as part of the trust estate.

The Series 2017 Bonds and any Additional Bonds issued under the Bond Indenture in accordance with the requirements of the Bond Indenture are equally and ratably secured thereunder without preference, priority or distinction, are payable solely from the revenues and other security pledged to the payment thereof in the Bond Indenture, do not constitute an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation and will never constitute or give rise to a pecuniary liability of the Issuer.

Additional Bonds. Upon compliance with and subject to the terms and conditions of the Loan Agreement and Bond Indenture, the Issuer has agreed to authorize the issuance of Additional Bonds for the purpose of providing funds to pay the costs of acquiring, constructing, equipping, completing or expanding the Project and/or, to the extent permitted by law, to refund any Bonds theretofore issued and then Outstanding under the Bond Indenture.

Bond Fund. The Bond Fund contains the Principal Account, the Interest Account and the Entrance Fee Redemption Account. Moneys on deposit in the Principal Account are to be used to pay the principal of and premium, if any, on the Series 2017 Bonds when due and payable. Moneys on deposit in the Interest Account are to be used to pay interest on the Series 2017 Bonds. There will be deposited in the respective accounts of the Bond Fund all accrued interest received from the sale of the Series 2017 Bonds to the initial purchasers thereof, all payments made on the Series 2017 Notes, all moneys required to be transferred to the Bond Fund from the Reserve Fund, all other moneys required to be deposited therein pursuant to the Loan Agreement, and all other moneys received by the Bond Trustee when accompanied by directions that such moneys are to be deposited in the Bond Fund. Income from the investment of moneys on deposit in the Principal Account or the Interest Account or the Entrance Fee Redemption Account is to be deposited into the respective Account. The Issuer covenants to cause to be deposited to the Principal Account or Interest Account from the revenues and receipts derived from the Loan Agreement amounts sufficient to pay debt service on the Series 2017 Bonds when due. Moneys on deposit in the Principal Account or the Interest Account may be used solely for the payment of principal of, premium, if any, and interest on the Series 2017 Bonds on a pro rata basis. Moneys on deposit in the Entrance Fee Redemption Account shall be used to pay the redemption price of, first, Series 2017C Bonds and, then Series 2017B-3 Bonds and, then Series 2017B-2 Bonds and, then, Series 2017B-1 Bonds on each Entrance Fee Redemption Date as provided in the Bond Indenture.

Reserve Fund. The Reserve Fund contains three separate Reserve Accounts: (i) the Series 2017A Reserve Account (ii) the Series 2017B Reserve Account and (iii) the Series 2017C Reserve Account. The Series 2017A Reserve Account will be funded on the Closing Date from the proceeds of the applicable series of the Series 2017 Bonds. Except as provided otherwise in the Bond Indenture, moneys in each Reserve Account in the Reserve Fund are to be used solely for the payment of the principal of and interest on the applicable series of the Series 2017 Bonds in the event moneys in the Bond Fund and the Funded Interest Account are insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise; provided that moneys on deposit in any Reserve Account of the Reserve Fund shall be used only to make such payments with respect to the related series of Bonds.

Upon the occurrence of an Event of Default under the Bond Indenture and a declaration by the Bond Trustee that the principal of and interest on the Bonds is immediately due and payable, any Reserve Fund Obligations in the Reserve Accounts will be deposited to the Principal Account and applied in accordance with the provisions of the Bond

Indenture. In the event of the redemption of any series of Bonds, any Reserve Fund Obligations on deposit in the applicable Reserve Account in excess of the Reserve Fund Requirement for such series to be Outstanding immediately after such redemption will be deposited to the Principal Account and applied to the payment of the principal of such series to be redeemed. On May 15 and November 15 in each year, any earnings on the Reserve Fund Obligations on deposit in a Reserve Account of the Reserve Fund that are in excess of the Reserve Fund Requirement will be deposited during the construction period for any Project into the Funded Interest Account of the Construction Fund created in connection with the issuance of such series for such Project or, if after the completion of such construction period, into the Interest Account of the Bond Fund. Moneys in a Reserve Account on the final date of maturity of a related series of Bonds may be used to pay the principal of and interest on such series of Bonds on such final maturity date.

In the event any moneys in any Reserve Account of the Reserve Fund are transferred to the Bond Fund to make up a deficiency in the Principal Account or Interest Account on any payment date for any series of Bonds, except if such moneys are transferred due to the redemption of all such Bonds, the Obligated Group Representative has agreed, pursuant to the Loan Agreement, to deposit additional Reserve Fund Obligations in an amount sufficient to satisfy the Reserve Fund Requirement for such Reserve Account, such amount to be deposited in no more than 12 equal consecutive monthly installments, the first installment to be made within seven months of such transfer or receipt of written notice from the Bond Trustee of a deficiency. In the event the value of the Reserve Fund Obligations deposited into any Reserve Account of the Reserve Fund is less than 90% of the Reserve Fund Requirement for such Reserve Account, the Obligated Group Representative has agreed, pursuant to the Loan Agreement, to deposit additional Reserve Fund Obligations in an amount sufficient to satisfy such Reserve Fund Requirement, such amount to be deposited within 120 days of receipt of written notice from the Bond Trustee of such deficiency.

If at any time moneys in a Reserve Account of the Reserve Fund are sufficient to pay the principal or redemption price of all Bonds of the related series, the Bond Trustee may use the moneys on deposit in the applicable account of the Reserve Fund to pay such principal or redemption price of such related series of Bonds.

Construction Fund. The Construction Fund consists of the Funded Interest Account and the Project Account. Moneys in the Project Account are required to be used to pay Project costs in accordance with the terms and provisions of the Loan Agreement. Moneys on deposit in the Funded Interest Account are required to be used to make up deficiencies in the Interest Account of the Bond Fund and to pay investment management fees as directed by the Obligor. Surplus Construction Fund Money is required to be transferred to the Principal Account of the Bond Fund and used to redeem Series 2017 Bonds in accordance with the terms of the Bond Indenture.

If an Event of Default occurs under the Bond Indenture and the Bond Trustee declares the principal of and interest on the Series 2017 Bonds due and payable, no disbursements from the Construction Fund are permitted during the continuance of such Event of Default. If such Event of Default is waived and such declaration rescinded, disbursements in accordance with the Loan Agreement and the Bond Indenture may be resumed.

At such time as the Obligor determines that construction of the Project is complete or to terminate further construction of the Project, it is required to deliver the Completion Certificate to the Bond Trustee pursuant to the Loan Agreement.

Cost of Issuance Fund. The Bond Trustee will disburse moneys in the Cost of Issuance Fund for payment of Cost of Issuance upon compliance with procedures set forth in the Loan Agreement. Excess amounts remaining in the Cost of Issuance Fund will be transferred to the Project Account of the Construction Fund.

Rebate Fund. Based on a report prepared annually by a nationally recognized independent consultant, the Obligor shall cause to be deposited into the Rebate Fund any amounts required to assure compliance with the Code. The Rebate Fund and any moneys on deposit therein are not subject to the lien of the Bond Indenture.

Valuation of Permitted Investments. The moneys held by the Bond Trustee in the various funds created under the Bond Indenture, at the written request and direction of the Obligor, may be invested by the Bond Trustee only in Permitted Investments to the extent permitted by law. Assets in each fund will be valued at market value as of each April 30 and October 31 by the Bond Trustee in accordance with the normal valuation procedures of the Bond Trustee.

Repayment to the Obligor. Any amounts remaining in the Bond Fund, Reserve Fund or Construction Fund after payment in full of the Series 2017 Bonds (or after making provision for such payment), the fees and expenses of the Bond Trustee and the Paying Agents (including attorneys fees, if any), the Administration Expenses, and all other amounts required to be paid under the Bond Indenture and under the Loan Agreement, are required to be paid to the Obligor upon the termination of the Agreement and used only for the payment of Project Costs.

Arbitrage. The Issuer has agreed to observe certain covenants with respect to the use of the proceeds of the Series 2017 Bonds to assure that the exclusion of the interest on the Series 2017 Bonds from the gross income of the owners thereof for federal income tax purposes is not adversely affected. Failure by the Issuer to comply with such covenants may cause the interest on the Series 2017 Bonds to become includable in gross income of the owners of the Series 2017 Bonds.

Events of Defaults. Each of the following events is defined in the Bond Indenture as an "Event of Default":

(a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption or as required by the sinking fund provisions or otherwise.

(b) Default in the payment of any installment of interest on any Bond when the same shall become due and payable.

(c) Declaration under the Master Indenture that the principal of, and accrued interest on, any Obligation issued thereunder is immediately due and payable.

(d) Failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in the Bond Indenture or in the Series 2017 Bonds contained, which failure shall continue for a period of 60 days after written notice specifying such failure and requesting that it be remedied, is given to the Issuer and the Obligor by the Bond Trustee or to the Issuer, the Obligor and to the Bond Trustee by the owners of not less than 25% in principal amount of the Series 2017 Bonds Outstanding; provided that such failure is the result of the failure of the Obligor to perform its obligations under the Agreement.

Remedies on Default. Upon the occurrence of an Event of Default under the Bond Indenture, the Bond Trustee shall, in the event the payments on any Notes have been accelerated by the Master Trustee, by notice in writing given to the Issuer and the Obligor, declare all the Series 2017 Bonds immediately due and payable and shall give notice of such acceleration to owners of the Outstanding Series 2017 Bonds. In addition, upon the occurrence of an Event of Default the Bond Trustee may proceed to pursue any available remedy by suit, at law or in equity, to enforce the covenants and agreements provided in the Bond Indenture.

If any Event of Default has occurred, the Bond Trustee may be required by the owners of at least 25% in aggregate principal amount of the Series 2017 Bonds then Outstanding to exercise one or more of the remedies specified in the Bond Indenture as the Bond Trustee shall deem most expedient, provided the Bond Trustee is indemnified as provided in the Bond Indenture.

The owners of a majority in aggregate principal amount of the Series 2017 Bonds Outstanding shall have the right, at any time, to the extent permitted by law, in accordance with the procedures specified in the Bond Indenture, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture or for the appointment of a receiver, subject to the limitations set forth in the Bond Indenture.

No Owner of any Bond has the right to institute any suit, action or proceeding for the enforcement of the Bond Indenture or the appointment of a receiver unless a default has occurred of which the Bond Trustee has notice, as more specifically provided in the Bond Indenture, the Bond Trustee has failed to proceed within a reasonable time after having been (i) requested to institute such suit, action or proceeding by the owners of a majority of the aggregate principal amount of the Series 2017 Bonds Outstanding and (ii) offered reasonable indemnity against the costs and liabilities to be incurred. Nothing in the Bond Indenture shall, however, affect or impair the right of any owner of Bonds to enforce the payment of the principal of, premium, if any, or interest on any Bond at and after the maturity thereof, or the

obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Series 2017 Bonds to the respective owners of the Series 2017 Bonds at the time and place, from the source and in the manner herein, and in the Series 2017 Bonds expressed.

The Bond Indenture provides that any moneys collected by the Bond Trustee pursuant to the provisions thereof conferring remedies on default, after payment of the expenses of the collection proceedings, shall be deposited in the Bond Fund, to be applied ratably towards all payments due on the Series 2017 Bonds Outstanding, in the priority and to the persons as more fully provided in the Bond Indenture.

Waiver of Events of Default. The Bond Trustee may, in its discretion, waive any Event of Default under the Bond Indenture and its consequences and is required to do so upon the written request of the owners of a majority in aggregate principal amount of Outstanding Series 2017 Bonds; provided, however, that the Bond Trustee may not waive an Event of Default described in subparagraph (a) under "Events of Default" above without the written consent of the owners of all of the Series 2017 Bonds then Outstanding, subject to the further limitations of the Bond Indenture.

Discharge. When the Series 2017 Bonds become due and payable and the whole amount of the principal of, premium, if any, and interest due and payable upon all of such Bonds has been paid, or provision has been made for such payment, together with the payment of all other sums payable under the Bond Indenture (including but not limited to the fees and expenses of the Bond Trustee and any Paying Agent, in accordance with the provisions of the Bond Indenture), the right, title and interest of the Bond Trustee in and to the trust estate and all covenants, agreements and other obligations of the Issuer to the Bondholders cease, terminate, and become void and are discharged and satisfied. In such event, upon the written request of the Issuer or of the Obligor, and upon receipt of an Opinion of Counsel to the effect that all conditions precedent in the Bond Indenture relating to the satisfaction and discharge of the Bond Indenture have been complied with, the Bond Trustee will (i) execute such documents as may be reasonably required by the Issuer, and (ii) subject to the provisions of the Bond Indenture, turn over to the Obligor any surplus in the Bond Fund, Reserve Fund and Construction Fund.

All Outstanding Series 2017 Bonds of any one or more series will, prior to the maturity or redemption date thereof, be deemed to have been paid if (i) in the case where such Bonds are to be redeemed on any date prior to their maturity, the Obligor has given to the Bond Trustee irrevocable written instructions to give notice of redemption of such Bonds on said redemption date, (ii) there has been deposited with the Bond Trustee (or another depository) either moneys in an amount sufficient for Government Obligations which do not contain provisions permitting the redemption thereof at the option of the issuer, or any other person other than the holder thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Bond Trustee or any Paying Agent at the same time (including the Bond Fund and the Reserve Fund), are sufficient in the opinion of an independent certified public accountant, to pay when due the principal of, premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event the Series 2017 Bonds are not subject to redemption within the next 45 days, the Obligor has given to the Bond Trustee irrevocable written instructions to give, as soon as practicable, a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Bond Trustee (or another depository) and that such Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bonds.

Supplemental Bond Indentures and Amendments to the Loan Agreement. Without the consent of, or notice to, the Bondholders, the Issuer and the Bond Trustee may at any time enter into supplemental bond indentures which (a) add covenants and agreements to the Bond Indenture for the protection of the Bondholders, (b) cure any ambiguity or cure, correct or supplement any defect or inconsistent provision in the Bond Indenture or for any other purpose, if such supplement does not adversely affect the interests of the owners of the Series 2017 Bonds, (c) make subject to the Bond Indenture additional revenues, properties, or collateral, (d) qualify the Bond Indenture under the Trust Indenture Act of 1939, if such is required in the Opinion of Counsel, (e) set forth the terms and conditions of Additional Bonds issued pursuant to the Bond Indenture, (f) satisfy the requirements of any rating agency, and (g) maintain the extent to which the interest on the Tax-Exempt Bonds is not includable in the gross income of the recipients thereof. With the consent of the owners of at least a majority of the aggregate principal amount of the Series 2017 Bonds of any particular series then Outstanding and affected thereby, the Issuer and the Bond Trustee may enter into supplemental bond indentures for any other purpose except that no supplemental bond indenture shall, without the consent of the owners of all of the Series 2017 Bonds Outstanding, (a) permit an extension of the maturity of, or a reduction of the aggregate principal

amount of, or a reduction of the rate of, or an extension of the time of payment of, interest on, or a reduction of a premium payable upon any redemption of, any Bond, (b) deprive any owner of a Bond Outstanding of the lien created by the Bond Indenture (other than as originally permitted thereby), (c) give privilege or priority to any Bond or Bonds, over any other Bond, or (d) reduce the aggregate principal amount of the Series 2017 Bonds required for consent to any supplemental bond indenture. Except for consents, changes or modifications of the Loan Agreement (i) as may be required by the provisions thereof or the Bond Indenture, (ii) to cure an ambiguity or formal defect or omission, (iii) in connection with the issuance of Additional Bonds, (iv) to satisfy rating agency requirements, (v) to maintain tax-exempt status of the Series 2017 Bonds, and (vi) in connection with any other change that does not adversely affect the Bond Trustee or the owners of the Series 2017 Bonds, neither the Issuer nor the Bond Trustee shall consent to any amendment to the Loan Agreement without notice to and the written approval or consent of the owners of at least a majority of the aggregate principal amount of the Series 2017 Bonds Outstanding.

Bond Trustee. The Bond Trustee has agreed to perform the duties imposed on it under the Bond Indenture and to use the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Under the Bond Indenture, the Bond Trustee is not answerable for the exercise of its rights under the Bond Indenture other than for its negligence or willful misconduct. Prior to taking any action under the Bond Indenture, the Bond Trustee may require satisfactory indemnity against any liabilities which it may incur and which are not due to its negligence or willful misconduct. The Bond Indenture establishes procedures for the resignation or removal of the Bond Trustee and the appointment of a successor by the owners of at least a majority of the aggregate principal amount of the Series 2017 Bonds Outstanding or, if no event of default has occurred and is continuing under the Bond Indenture, by an instrument in writing executed by the Obligated Group Representative.

The Issuer agrees to pay, but solely from funds provided by the Obligor, the fees and expenses of the Bond Trustee and each Paying Agent. As security for the performance of the Issuer under this section, the Bond Trustee is secured by a lien subject and subordinate to the Series 2017 Bonds, in the case of money held in the Construction Fund or the Reserve Fund, and otherwise prior to the Series 2017 Bonds, and for payment of the expenses and reimbursements due under the Bond Indenture, the Bond Trustee has the right to apply any trust funds held by it unless held or required to be held in the Construction Fund or the Reserve Fund.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Loan Agreement.

General. Concurrently with the sale and delivery of the Series 2017 Bonds, the Issuer and the Obligor will execute the Loan Agreement and the Obligor will execute and deliver to the Bond Trustee the Series 2017 Notes in a principal amount equal to the aggregate principal amount of the Series 2017 Bonds.

On the Closing Date for the Series 2017 Bonds, the Issuer will cause the proceeds from the sale of the Series 2017 Bonds to be deposited to the applicable funds and accounts held under the Bond Indenture.

Anything to the contrary in this Agreement notwithstanding, the Obligor shall make monthly loan payments with respect to the Series 2017 Bonds in accordance with the Bond Indenture and the Agreement directly to the Bond Trustee for deposit in the appropriate account of the Bond Fund.

Other Obligations. The Obligor agrees to pay the reasonable and necessary fees and charges of the Bond Trustee and any paying agent. The Obligor also agrees to pay the reasonable expenses of the Issuer in connection with the issuance of the Series 2017 Bonds. The Obligor will indemnify the Issuer against certain liabilities with respect to the Project and the Series 2017 Bonds.

Additional Bonds. Upon compliance with and subject to the terms and conditions of the Loan Agreement and Bond Indenture, the Issuer has agreed to authorize the issuance of Additional Bonds for the purpose of providing funds to pay the cost of acquiring, constructing, equipping, completing or expanding the Project and/or, to the extent permitted by law, to refund any Bonds then Outstanding under the Bond Indenture. Concurrently with the delivery of any Additional Bonds, the Obligor will deliver to the Bond Trustee additional notes for the account of the Issuer in substantially the form required by the Master Indenture and to execute and deliver any supplements or amendments thereto as may be necessary or appropriate.

Obligations of the Obligated Group Representative Unconditional. The obligations of the Obligor to make the payments required pursuant to the Loan Agreement and the Series 2017 Notes are absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the Series 2017 Bonds have been fully paid or provision for the payment thereof has been made in accordance with the Bond Indenture, the Obligor will not suspend or discontinue any payments pursuant to the Series 2017 Notes, for any cause.

Tax Covenants. The Obligor and the Issuer have agreed to comply with certain covenants to assure that the exclusion of the interest on the Tax Exempt Bonds from the gross income of the owners of the Tax Exempt Bonds for federal income tax purposes is not adversely affected. Failure by the Obligor or the Issuer to comply with such covenants may cause the interest on the Tax Exempt Bonds to become includable in the gross income of the owners thereof.

Assignment, Merger and Release of Obligations of the Obligated Group Representative. Under certain conditions, the Obligor may assign its interest in the Loan Agreement without the necessity of obtaining the consent of the Issuer or the Bond Trustee, but such assignment will not relieve the Obligor from primary liability for any of its obligations under the Loan Agreement unless the Obligor has been released from its obligations under the Master Indenture in connection with its release as a member of the Obligated Group. Any assignee will assume the obligations of the Obligor under the Loan Agreement. Assumption of such obligations is not required in the case of a lease of a portion of any Project or an operating contract for the performance by others of the Obligated Group Representative services in connection with any Project. The Obligor may not dispose of all or substantially all of its assets nor consolidate with or merge into another corporation except in accordance with the Master Indenture.

Failure to Perform Covenants; Remedies. Upon failure of the Obligor to pay when due any payment (other than payment on any Note, which default shall have no grace period) required to be made under the Loan Agreement or to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Loan Agreement, and continuation of such failure for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Obligor by the Issuer or the Bond Trustee, the Issuer or the Bond Trustee shall have the following remedies:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Issuer, and require the Obligor to carry out any agreements with or for the benefit of the Bondholders and to enforce performance and observance of any duty, obligation, agreement or covenant of the Obligor under the Act or the Loan Agreement; or

(b) by action or suit in equity require the Obligor to account as if it were the trustee of an express trust for the Issuer; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer; or

(d) upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receivers of the trust estate upon a showing of good cause with such powers as the court making such appointment may confer.

Amendments, Changes and Modifications. Except as otherwise provided in the Loan Agreement or the Bond Indenture, the Loan Agreement may not be amended, changed, modified, altered or terminated without consent of the Bond Trustee. See "THE BOND INDENTURE - Supplemental Bond Indentures and Amendments to the Loan Agreement" herein.

Option to Prepay Series 2017 Notes. Subject to the terms and conditions in and pursuant to the terms of the Loan Agreement, the Obligor may exercise its option to prepay all or any portion of its payments due under the Series 2017 Notes by depositing with the Bond Trustee an amount of money or Government Obligations the principal of and interest on which when due, will be sufficient to pay the debt service on Outstanding Series 2017 Bonds when due. The exercise of such option will not be cause for redemption of Series 2017 Bonds unless such redemption is permitted under the provisions of the Bond Indenture and the Obligor specifies the date for such redemption.

Indemnification. Pursuant to the provisions of the Loan Agreement, the Obligor has agreed to release, indemnify and hold harmless the Issuer, the Tarrant County, Texas, and their respective officers, directors, commissioners, officials, consultants, servants and employees.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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_____, 2017

TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
RETIREMENT FACILITY REVENUE BONDS
(BUCKNER SENIOR LIVING - VENTANA PROJECT)
SERIES 2017

WE HAVE ACTED AS BOND COUNSEL for Tarrant County Cultural Education Facilities Finance Corporation (the "Issuer") solely for the purpose of rendering an opinion as to the validity of the Issuer's Retirement Facility Revenue Bonds (Buckner Senior Living - Ventana Project) Series 2017A (the "Series 2017A Bonds"), Series 2017B (the "Series 2017B Bonds") and Taxable Series 2017C (the "Series 2017C Bonds") and, together with the Series 2017A Bonds and the Series 2017B Bonds, the "Series 2017 Bonds") under Texas law, and the status of the interest on the Series 2017A Bonds and the Series 2017B Bonds (the "Tax Exempt Bonds") under federal income tax law, and for no other purpose. In such capacity, we do not take responsibility for any matters relating to such transaction except as covered below, and specifically we have not been requested to examine, and have not investigated or verified, any records, material or matters relating to the financial condition or capacity of the Issuer or Buckner Senior Living, Inc. (the "Obligor"), a Texas nonprofit corporation, or any of its affiliates, or any matter relating to the Obligor or any of its affiliates, other than as stated below, or the disclosure thereof in connection with the sale of the Series 2017 Bonds, and we express no opinion with respect thereto.

WE HAVE EXAMINED into the validity of the Series 2017 Bonds, bearing interest from their date, until maturity or redemption, at the interest rates set forth in the Indenture of Trust dated as of May 1, 2017 (the "Indenture") between the Issuer and UMB Bank, N.A., as trustee (the "Trustee"). Interest on the Series 2017 Bonds is payable and the Series 2017 Bonds mature on the dates set forth in the Indenture and the Series 2017 Bonds are subject to optional and mandatory redemption prior to maturity in accordance with the terms and conditions stated on the face of the Series 2017 Bonds. The Series 2017 Bonds are issuable only as fully registered bonds in the denominations described in the Indenture.

WE HAVE EXAMINED certified copies of the proceedings of the Board of Directors of the Issuer; certificates and resolutions of the Obligor; the opinion of Bracewell LLP, special counsel to the Obligor, upon which we rely to the extent described below; and other instruments authorizing and relating to the issuance of the Series 2017 Bonds including one of each series of the executed Series 2017 Bonds.

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BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the resolution of the Issuer authorizing the Series 2017 Bonds (the "Bond Resolution") has been duly and lawfully adopted by, and constitutes a valid and binding obligation of, the Issuer, and that the Series 2017 Bonds have been duly authorized, issued and delivered in accordance with Texas law and constitute valid and binding obligations of the Issuer. The principal of, redemption premium, if any, and interest on the Series 2017 Bonds are payable from, and secured by a pledge and assignment of, the revenues derived by the Issuer from the Obligor pursuant to a Loan Agreement, dated as of May 1, 2017 (the "Loan Agreement"), between the Issuer and the Obligor. The Obligor has agreed and is unconditionally obligated to the Issuer to make the payments due under the Loan Agreement to the Trustee under the Indenture for deposit into the Bond Fund or the Reserve Fund established by the Indenture in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on the Series 2017 Bonds, when due, as required by the Indenture. We do not, however, express any opinion nor make any comment with respect to the sufficiency of the security for or the marketability of the Series 2017 Bonds.

IT IS OUR OPINION that the Loan Agreement has been duly and lawfully authorized, executed, and delivered by, and is a valid and binding obligation of, the Issuer. We are relying upon the opinion, dated this date, of special counsel for the Obligor to the effect that the Loan Agreement has been duly and lawfully authorized, executed and delivered by the Obligor, and is a legal, valid and binding obligation of the Obligor, enforceable in accordance with its terms and conditions.

THE SERIES 2017 BONDS ARE FURTHER SECURED BY the Indenture whereunder the Trustee is custodian of the funds established by the Indenture and is obligated to enforce the rights of the Issuer and the owners of the Series 2017 Bonds secured by the Indenture and to perform other duties, in the manner and under the conditions stated in the Indenture; and it is our further opinion that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer, and is a valid and binding agreement of the Issuer.

AS FURTHER SECURITY FOR THE SERIES 2017 BONDS, the Obligor, under and pursuant to a Master Trust Indenture, Deed of Trust and Security Agreement, dated as of May 1, 2017, as supplemented (the "Master Indenture"), between the Obligor and UMB Bank, N.A., as Master Trustee, has issued its Series 2017 Notes (the "Notes") in favor of the Issuer, who has assigned the Notes to the Trustee, for the purpose of evidencing the obligation of the Obligor to make the payments due under the Loan Agreement and granted a security interest in certain of its property in connection therewith. Counsel to the Obligor has rendered an opinion as to the validity and enforceability of the Master Indenture and the Notes. We have not been requested to render, nor have we rendered, any opinion on such matters.

THE OWNERS OF THE SERIES 2017 BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, and the Series 2017 Bonds are payable solely from the sources described in the Indenture.

THE INDENTURE PERMITS, with certain exceptions as therein provided, the amendment thereof at any time by the Issuer with the consent of the registered owners of not less than a majority in aggregate principal amount of all bonds at the time outstanding thereunder.



IN OUR OPINION, except as discussed below for federal income tax purposes, the interest on the Tax Exempt Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Tax Exempt Bonds are not "specified private activity bonds" (other than "qualified 501(c)(3) bonds") and that, accordingly, interest on the Tax Exempt Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING OUR OPINION as to the exclusion of interest on the Tax Exempt Bonds from the gross income of the owners as described above, we have relied upon, and assumed to be correct, (a) the representations, covenants and agreements of the Issuer and the Obligor in the Loan Agreement, and information furnished by and on behalf of the Issuer and the Obligor and particularly certificates and representations of officers and representatives of the Issuer and the Obligor with respect to certain material facts which are solely within their knowledge relating to the proposed use of the proceeds of the Tax Exempt Bonds and the organization and operation of the Obligor and its affiliates that affect such exclusion and (b) an opinion of special counsel to the Obligor, upon which we rely, to the effect that the Obligor is an organization described in section 501(c)(3) of the Code and exempt from taxation under section 501(a) of the Code. We call your attention to the fact that failure by the Issuer or the Obligor and certain of its affiliates to comply with such representations and covenants may cause the interest on the Tax Exempt Bonds to become includable in gross income of owners thereof retroactively to the date of issuance of the Tax Exempt Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations such as the Tax Exempt Bonds will be included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Tax Exempt Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Tax Exempt Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that each of the Issuer and the Obligor has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, may result in the



treatment of interest on the Tax Exempt Bonds as includable in gross income for federal income tax purposes.

THE OPINIONS contained herein are limited to the extent that (a) enforceability of the Series 2017 Bonds, the Bond Resolution, the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or remedies generally and (b) a particular court may refuse to grant certain equitable remedies, including, without limitation, specific performance, with respect to any of the provisions of the Series 2017 Bonds, the Bond Resolution, the Indenture and the Loan Agreement.

Respectfully,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the 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 (the "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 (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 an 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 made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

The Issuer 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.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Indentures will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Issuer or the Underwriter.

Effect of Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Issuer, the following provisions will be applicable to the Bonds. The Bonds may be exchanged for an equal aggregate principal amount of the Bonds in authorized denominations and of the same maturity upon surrender thereof at the principal office for payment of the Bond Trustee. The transfer of any Bond may be registered on the books maintained by the Bond Trustee for such purpose only upon the surrender of such Bond to the Bond Trustee with a duly executed assignment in form satisfactory to the Bond Trustee. For every exchange or transfer of registration of Bonds, the Bond Trustee and the Issuer may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Issuer shall pay the fee, if any, charged by the Bond Trustee for the transfer or exchange. The Bond Trustee will not be required to transfer or exchange any Bond after its selection for redemption. The Issuer and the Bond Trustee may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on, such Bond.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Issuer and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting.

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee will satisfy the Issuer's respective obligations under the Bond Indenture and the Obligor's respective obligations under the Loan Agreement to the extent of the payments so made.

None of the Issuer, the Underwriter nor the Bond Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Bond including, without limitation, any notice of redemption, tender, purchase or any event that would or could give rise to a tender or purchase right or option with respect to any Bond, (iii) the payment to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Issuer and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Bonds, (ii) giving notices of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds, and (iv) the selection of Bonds for redemption.

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