

**Book-Entry Only**

*In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2019 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, based on existing law, for so long as interest on the Series 2019 Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof, including The City of New York. See "TAX MATTERS" herein regarding certain other tax considerations.*



**\$108,825,000**  
**MONROE COUNTY INDUSTRIAL  
 DEVELOPMENT CORPORATION  
 TAX-EXEMPT REVENUE BONDS  
 (ST. ANN'S COMMUNITY PROJECT),  
 SERIES 2019**

**Dated:** Date of Delivery**Due:** January 1, as shown herein

The Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019 (the "Series 2019 Bonds") are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in the denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2019 Bonds. Interest on the Series 2019 Bonds will be based on a 360 day year of twelve 30 day months and will be payable on each January 1 and July 1, commencing on July 1, 2020. So long as Cede & Co. is the registered owner of the Series 2019 Bonds, payments of principal or redemption price of and interest on the Series 2019 Bonds are required to be made to Beneficial Owners by DTC through its participants. See "THE SERIES 2019 BONDS - Book-Entry Only System" herein.

The Series 2019 Bonds are issued pursuant to an Indenture of Trust dated as of December 1, 2019 (the "Indenture"), between the Monroe County Industrial Development Corporation (the "Issuer") and Wilmington Trust, National Association, as trustee (the "Trustee"). The Series 2019 Bonds will be payable from (a) payments made by St. Ann's Home for the Aged (the "Home"), St. Ann's Nursing Home Company, Inc. ("Heritage"), St. Ann's Senior Housing, Inc. ("Sole Member"), Cherry Ridge Independent Living, LLC ("CRIL"), Cherry Ridge Apartments, LLC ("CRA"), The Glen at Cherry Ridge, LLC ("CRG") and Chapel Oaks, Inc. ("CO"; and, collectively with the Home, the Heritage, the Sole Member, CRIL, CRA and CRG, the "Obligated Group") pursuant to a Loan Agreement dated as of December 1, 2019 (the "Loan Agreement") between the Issuer and the Obligated Group and (b) certain funds and accounts established under the Indenture and investment earnings thereon. The proceeds of the Series 2019 Bonds will be applied, together with other available funds, and as more particularly described herein: (i) to refinance certain bonds issued for the benefit of the Home, the Heritage, CRIL, CRA, CRG and CO; (ii) to finance the renovation, equipping and modernization of the approximately 258,000 square-foot, ten (10) story existing 388-bed skilled nursing facility tower owned by the Home in order to provide for, among other things, renovated and reconfigured resident rooms, family/common areas, back of the house areas, including, but not limited to, staff and nurse stations, food service areas and cooling/duct/electrical upgrades, together with ancillary and related facilities and improvements; (iii) to fund capitalized interest and a reserve fund deposit; and (iv) to pay certain costs incurred in connection with the issuance of the Series 2019 Bonds, in each case as more particularly described herein. The obligation of the Obligated Group to make the payments under the Loan Agreement is secured by an obligation issued under the Master Indenture described herein, wherein the members of the Obligated Group are jointly and severally obligated to make payments on the Obligations issued according to the terms thereof.

The obligations of the Obligated Group under the Master Indenture are secured by mortgage liens and security interests in the real and personal property of the Obligated Group located in Monroe County, New York as well as a security interest in the Gross Revenues (as defined herein) of the Obligation Group. The sources of payment of, and security for, the Series 2019 Bonds are more fully described in this Official Statement.

AN INVESTMENT IN THE SERIES 2019 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE SERIES 2019 BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS ENTITLED "SECURITY FOR THE SERIES 2019 BONDS" AND "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2019 BONDS.

THE SERIES 2019 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF MONROE COUNTY OR THE STATE OF NEW YORK AND NONE OF MONROE COUNTY OR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

The Series 2019 Bonds are subject to redemption prior to maturity, including redemption at par under certain circumstances, as described herein under "THE SERIES 2019 BONDS."

The Series 2019 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Harris Beach PLLC, Rochester, New York, as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Rochester, New York; for the Obligated Group by its counsel, Harter Secrest & Emery LLP, Rochester, New York; and for the Underwriter by its counsel, Nixon Peabody LLP, Rochester, New York. It is expected that the Series 2019 Bonds will be available for delivery in definitive form to DTC in New York, New York on or about December 30, 2019.



## MATURITY SCHEDULE

**\$108,825,000**

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION  
TAX-EXEMPT REVENUE BONDS  
(ST. ANN'S COMMUNITY PROJECT), SERIES 2019**

\$19,750,000 4.00% Term Bond Due January 1, 2030 Yield 3.20%\* CUSIP† 61075TUF3  
\$33,895,000 5.00% Term Bond Due January 1, 2040 Yield 3.73%‡ CUSIP† 61075TUG1  
\$55,180,000 5.00% Term Bond Due January 1, 2050 Yield 4.02%\* CUSIP† 61075TUH9

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\* Yield to the redemption date of January 1, 2029 at a redemption price of 100%.

† CUSIP® is a registered trademark of the American Bankers Association. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover page of this Official Statement have been assigned by an organization not affiliated with the Issuer, the Obligated Group, the Underwriter or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of holders and no representation is made as to the correctness of the CUSIP numbers printed above. CUSIP numbers assigned to the Series 2019 Bonds may be changed during the term of the Series 2019 Bonds based on a number of factors, including, but not limited to, the refunding or defeasance of Series 2019 Bonds or the use of secondary market financial products. None of the Issuer, the Obligated Group, the Underwriter or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed above.

‡ Yield to the redemption date of January 1, 2026 at a redemption price of 103%.



**Aerial View of Irondequoit Campus**



**Aerial View of Webster Campus**

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

The Issuer has provided the information set forth under the headings “MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION” and “LITIGATION – The Issuer” and makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth elsewhere in the Official Statement.

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 Obligated Group, 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.

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

THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE 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 SERIES 2019 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NO STATES OR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2019 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 SERIES 2019 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,” “project,” “forecast” or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information in Appendix A and Appendix C to this Official Statement.

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 OBLIGATED GROUP DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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](http://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](http://WWW.EMMA.MSRB.ORG).

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## TABLE OF CONTENTS

|  | Page No. |
|--|----------|
| SHORT SUMMARY .....                                    | i        |
| INTRODUCTORY STATEMENT .....                           | 1        |
| Purpose of this Official Statement .....               | 1        |
| The Issuer .....                                       | 1        |
| The Obligated Group and the Facilities .....           | 1        |
| Security for the Series 2019 Bonds .....               | 2        |
| Plan of Financing.....                                 | 2        |
| Financial Feasibility Study .....                      | 4        |
| MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION ..... | 4        |
| THE OBLIGATED GROUP .....                              | 4        |
| ESTIMATED SOURCES AND USES OF FUNDS .....              | 5        |
| THE SERIES 2019 BONDS.....                             | 5        |
| General Description .....                              | 5        |
| Redemption Prior to Maturity.....                      | 6        |
| Additional Bonds.....                                  | 9        |
| Book-Entry-Only System .....                           | 9        |
| DEBT SERVICE SCHEDULE .....                            | 12       |
| SECURITY FOR THE SERIES 2019 BONDS.....                | 12       |
| General .....  | 12       |
| Bond Fund .....  | 12       |
| The Loan Agreement.....                                | 13       |
| The Mortgages.....                                     | 13       |
| Debt Service Reserve Fund .....                        | 13       |
| Security Under the Master Indenture.....               | 14       |
| Construction Consultant .....                          | 18       |
| Requisition Process.....                               | 18       |
| No Credit Enhancement.....                             | 19       |
| Financial Feasibility Study .....                      | 19       |
| LIMITED SUPPORT AGREEMENT .....                        | 19       |
| CERTAIN BONDHOLDERS' RISKS.....                        | 20       |
| LITIGATION .....                                       | 40       |
| The Issuer .....                                       | 40       |
| The Obligated Group.....                               | 40       |
| INDEPENDENT AUDITORS .....                             | 41       |
| LEGAL MATTERS .....                                    | 41       |
| NO RATING .....  | 41       |
| UNDERWRITING .....                                     | 41       |
| TAX MATTERS .....                                      | 41       |
| FINANCIAL REPORTING AND CONTINUING DISCLOSURE .....    | 43       |
| Financial Reporting .....                              | 43       |
| Continuing Disclosure .....                            | 45       |
| MISCELLANEOUS.....                                     | 46       |

APPENDIX A – CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP  
APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF ST. ANN'S OF GREATER  
ROCHESTER, INC. AND CONTROLLED ENTITIES  
APPENDIX C – FINANCIAL FEASIBILITY STUDY  
APPENDIX D – FORMS OF THE PRINCIPAL DOCUMENTS  
APPENDIX E – PROPOSED FORM OF BOND COUNSEL OPINION  
APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT



## SHORT SUMMARY

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

This Official Statement was prepared in connection with the initial offering of the Series 2019 Bonds described below. The offering of the Series 2019 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Short Summary 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 Short Summary, see Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS” herein.

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION** (the “Issuer”), a not-for-profit local development corporation, existing under the laws of the State of New York, proposes to issue \$108,825,000 aggregate principal amount of its Tax-Exempt Revenue Bonds (St. Ann’s Community Project), Series 2019 (the “Series 2019 Bonds”).

The Series 2019 Bonds are being issued to finance, refinance and/or reimburse all or a portion of the costs associated with the project more particularly described herein (the “Project”), and to provide funds for all or a portion of the costs of issuing the Series 2019 Bonds and funding a debt service reserve fund, in each case as more particularly described in this Official Statement.

The Series 2019 Bonds are being issued by the Issuer pursuant to an Indenture of Trust dated as of December 1, 2019 (the “Indenture”), between the Issuer and Wilmington Trust, National Association, as trustee (the “Trustee”).

**OBLIGATED GROUP.** St. Ann’s Home for the Aged, a New York not-for-profit corporation (the “Home”), St. Ann’s Nursing Home Company, Inc., a New York not-for-profit corporation (the “Heritage”), St. Ann’s Senior Housing, Inc., a New York not-for-profit corporation (the “Sole Member”), Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge, a New York limited liability company whose sole member is the Sole Member (“CRIL”), Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge, a New York limited liability company whose sole member is the Sole Member (“CRA”) and The Glen At Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge, a New York limited liability company whose sole member is the Sole Member (“CRG”), and Chapel Oaks, Inc., a New York not-for-profit corporation (“CO”; and, collectively with the Home, the Heritage, the Sole Member, CRIL, CRA and CRG, the “Obligated Group”), are the initial members of the Obligated Group.

The Internal Revenue Service (the “IRS”) has determined that the Home, the Heritage, the Sole Member and CO are each exempt from federal income taxation as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). CRIL, CRA and CRG are disregarded entities of the Sole Member for purposes of the Code. See “CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP” in Appendix A hereto.

**SECURITY.** Pursuant to the Loan Agreement, dated as of December 1, 2019 (the “Loan Agreement”) between the Issuer and the Obligated Group, the Issuer will lend the proceeds of the Series 2019 Bonds to the Obligated Group.

The Obligated Group’s obligation to make loan payments under the Loan Agreement will be secured by Master Note No. 1 (the “Master Note”), issued under the Master Trust Indenture dated as of December 1, 2019 (the “Master Indenture”) among St. Ann’s of Greater Rochester, Inc., as obligated group representative (the “Obligated Group Representative”), the Obligated Group and Wilmington Trust, National Association, as master trustee (the “Master Trustee”), as amended and supplemented from time to time, including as amended and supplemented by the Supplemental Indenture Number 1 between the Obligated Group Representative and the Master Trustee dated as of December 1, 2019 (the “Supplemental Indenture”).

Under the Master Indenture, each Obligated Group Member will grant to the Master Trustee a first security interest in its Gross Revenues. See “SECURITY FOR THE SERIES 2019 BONDS – Security Under the Master Indenture – Gross Revenues” herein.

In addition, pursuant to the Mortgage and Security Agreement (Acquisition Loan), the Mortgage and Security Agreement (Project Loan) and the Mortgage and Security Agreement (Building Loan) (collectively, the “Mortgage”), which will be assigned to the Master Trustee by the Issuer pursuant to an Assignment of Mortgage and Security Agreement (Acquisition Loan), an Assignment of Mortgage and Security Agreement (Project Loan) and an Assignment of Mortgage and Security Agreement (Building Loan), each Member of the Obligated Group will grant to the Master Trustee (a) first, second and third mortgage liens on the real and personal property comprising its Facilities (as more particularly described in the Mortgage, the “Mortgaged Property”); and (b) to the extent the Mortgaged Property is or may be treated as collateral under the Uniform Commercial Code, first, second and third security interests in the Mortgaged Property and in the proceeds thereof, except as provided in the Mortgage, including without limitation all proceeds of insurance, eminent domain or sale. The Obligated Group will deliver title insurance policies insuring the Master Trustee in an aggregate amount equal to the principal amount of the Series 2019 Bonds. The mortgage liens and security interests created by the Mortgage will be subject to certain permitted liens as described therein.

The Series 2019 Bonds are additionally secured by certain funds and accounts created under the Indenture as well as a Reserve Fund established under the Master Indenture. For a more detailed description of the security available for the Series 2019 Bonds see “SECURITY FOR THE SERIES 2019 BONDS.”

**HISTORICAL DEBT SERVICE COVERAGE RATIO COVENANT.** The Master Indenture requires the Obligated Group to maintain and calculate annually (commencing with the Fiscal Year after the Fiscal Year in which the 2019 Home Project (as defined herein) is completed and each Fiscal Year thereafter) a Historical Debt Service Coverage Ratio of at least 1.20:1. The Historical Debt Service Coverage Ratio is defined generally as 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, 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 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 payments made to or received from the provider of the Interest Rate Agreement shall be used in such calculation. See “SECURITY FOR THE SERIES 2019 BONDS – Security Under the Master Indenture – Historical Debt Service Coverage Ratio” for a further description of the Historical Debt Service Coverage Ratio covenant, including a description of the actions required to be taken if such covenant is not met. See also Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Definitions” and “– Rates and Charges.”

**LIQUIDITY COVENANT.** The Master Indenture requires the Obligated Group to maintain unrestricted cash and investments (excluding the any debt service reserve fund for the benefit of Related Bonds and amounts on deposit in the funds and accounts created under the Indenture) at least equal to 75 day’s cash operating expenses of the Obligated Group as of June 30 and December 31 of each Fiscal Year, commencing with December 31, 2019; provided, however, that while the hereinafter defined Limited Support Agreement is in effect, the lesser of the Commitment (as defined below) and the unrestricted cash and marketable securities of St. Ann’s Foundation (the “Foundation”) as reported quarterly will be added to the Obligated Group’s unrestricted cash and investments in connection with the calculation of days cash on hand. See “SECURITY FOR THE SERIES 2019 BONDS – Security Under the Master Indenture – Days Cash on Hand” herein for a further description, including a description of the actions required to be taken if such covenant is not met. See also Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Liquidity Covenant.”

**SUPPORT FROM ST. ANN’S FOUNDATION.** In connection with the issuance of the Series 2019 Bonds, the Foundation will enter into a Limited Support Agreement (the “Limited Support Agreement”) with the Obligated Group Representative, the Obligated Group and the Master Trustee. Pursuant to the Limited Support Agreement, the Foundation has agreed to provide up to \$20,000,000 of support (as such amount is reduced from time to time in accordance with the Limited Support Agreement, the “Commitment”) to the Obligated Group for the

following purposes: (i) prior to the date when the 2019 Home Project is complete, if no moneys are on deposit in the Project Fund under the Indenture (other than any amounts on deposit therein that have been previously committed to pay 2019 Home Project costs), the Obligated Group Representative may make written demand for payment of funds required to complete the 2019 Home Project in accordance with the Loan Agreement by directing the Foundation to transfer cash to the Trustee for deposit in the Project Fund under the Indenture, or (ii) if at any time an Obligated Group Member needs money for payment of working capital expenses, capital costs other than 2019 Home Project costs or operating expenses, and no moneys are otherwise available to such Obligated Group Member at that time to pay such amounts, the Obligated Group Representative may make written demand for payment directing the Foundation to transfer cash to such Obligated Group Member. See “LIMITED SUPPORT AGREEMENT” herein.

**CERTAIN BONDHOLDERS’ RISKS.** AN INVESTMENT IN THE SERIES 2019 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE SERIES 2019 BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS “SECURITY FOR THE SERIES 2019 BONDS” AND “CERTAIN BONDHOLDERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2019 BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, because the Series 2019 Bonds are payable solely from the revenues of the Obligated Group and other moneys pledged to such payment, careful evaluation should be given to certain factors (including, but not limited to, the ability of the Obligated Group to attract residents and enter into Residency Agreements, as applicable, and manage the Facilities in a manner which maintains high occupancy levels), that may adversely affect the ability of the Obligated Group to generate sufficient revenues to pay its expenses of operation, including the principal or redemption price of and interest on the Series 2019 Bonds.

**FINANCIAL FEASIBILITY STUDY.** The Obligated Group has engaged CliftonLarsonAllen LLP, independent certified public accountants, to issue an Independent Accountant’s Examination Report on the Obligated Group’s financial forecast dated November 11, 2019 (the “Financial Feasibility Study”), which is included as Appendix C hereto. The Financial Feasibility Study includes management’s financial forecast of the Obligated Group as of and for the four years ending December 31, 2019 through December 31, 2022 and is based on management’s assumptions.

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 C hereto.

**FORECASTED FINANCIAL RATIOS.** The table on the following page reflects the forecasted funds available for debt service and other financial ratios for the fiscal years ending December 31, 2019 through December 31, 2022 and has been extracted from management’s financial forecast included in the Financial Feasibility Study. For purposes of calculating debt service requirements in the table below, the Series 2019 Bonds are assumed to (x) be issued as fixed rate bonds, at par, in the aggregate principal amount of \$109,970,000; (y) have a final maturity of January 1, 2050; and (z) bear interest at 5.00%.

See “Appendix C – FINANCIAL FEASIBILITY STUDY – Summary of Significant Forecast Assumptions and Accounting Policies.”

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ST. ANN'S HOME FOR THE AGED, ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND CHAPEL OAKS, INC.  
FORECASTED COMBINED SCHEDULE OF FINANCIAL RATIOS  
FOR THE YEARS ENDING DECEMBER 31,  
(IN \$000s EXCEPT RATIOS)

| <b>Debt Service Coverage Ratio</b>   | <b>2019</b>      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      |
|--|------------------|------------------|------------------|------------------|
| Change in Net Assets Without Donor Restriction   | \$ (10,852)      | \$ (8,083)       | \$ (4,337)       | \$ (675)         |
| Deduct:  |                  |                  |                  |                  |
| Amortization of Entrance Fees  | (80)             | (91)             | (109)            | (128)            |
| Add:   |                  |                  |                  |                  |
| Change in Fair Value of Derivative Financial Instrument                                | 1,991            | -                | -                | -                |
| Net Change in Pension Plan Assets and Benefit Obligation                               | 8,795            | (2,865)          | (2,408)          | (2,078)          |
| Loss on Refunding, Net   | 794              | -                | -                | -                |
| Depreciation   | 9,600            | 9,668            | 9,588            | 10,293           |
| Interest Expense   | 1,827            | 3,955            | 4,397            | 5,770            |
| Entrance Fees Received, Net of Refunds   | 39               | 57               | 75               | 93               |
| <b>Income Available for Debt Service</b>   | <b>\$ 12,114</b> | <b>\$ 2,641</b>  | <b>\$ 7,206</b>  | <b>\$ 13,275</b> |
| <b>Maximum Annual Debt Service <sup>(1)</sup></b>                                      | <b>\$ 3,341</b>  | <b>\$ 4,627</b>  | <b>\$ 4,627</b>  | <b>\$ 7,284</b>  |
| <b>Maximum Annual Debt Service Coverage <sup>(2)</sup></b>                             | <b>3.63x</b>     | <b>0.57x</b>     | <b>1.56x</b>     | <b>1.82x</b>     |
| <b>Days Cash on Hand</b>   | <b>2019</b>      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      |
| Cash and Cash Equivalents  | \$ 7,070         | \$ 6,932         | \$ 6,950         | \$ 7,028         |
| Investments  | 29,565           | 22,551           | 18,996           | 17,379           |
| Entrance Fee and Security Deposits   | 4,931            | 4,931            | 4,931            | 4,931            |
| Less: Donor Restricted Investments <sup>(3)</sup>                                      | (5,016)          | (3,520)          | (1,982)          | (369)            |
| Less: Escrowed Security Deposits <sup>(4)</sup>  | (988)            | (988)            | (988)            | (988)            |
| <b>Total</b>   | <b>\$ 35,562</b> | <b>\$ 29,906</b> | <b>\$ 27,907</b> | <b>\$ 27,981</b> |
| Operating Expenses   | \$ 85,507        | \$ 86,189        | \$ 86,786        | \$ 89,716        |
| Plus (Less):   |                  |                  |                  |                  |
| Amortization of Deferred Financing Costs   | (134)            | (98)             | (98)             | (98)             |
| Amortization of Bond Premium   | 47               | 283              | 283              | 283              |
| Bad Debts  | (355)            | (280)            | (319)            | (366)            |
| Depreciation   | (9,600)          | (9,668)          | (9,588)          | (10,293)         |
| <b>Total</b>   | <b>\$ 75,465</b> | <b>\$ 76,426</b> | <b>\$ 77,064</b> | <b>\$ 79,242</b> |
| <b>Daily Operating Expenses <sup>(5)</sup></b>   | <b>\$ 207</b>    | <b>\$ 209</b>    | <b>\$ 211</b>    | <b>\$ 217</b>    |
| <b>Days Cash on Hand</b>   | <b>172</b>       | <b>143</b>       | <b>132</b>       | <b>129</b>       |
| Remaining Commitment under the Limited Support Agreement ("LSA") <sup>(6)</sup>        | \$ 15,480        | \$ 15,480        | \$ 15,480        | \$ 14,260        |
| <b>Days Cash on Hand - Including Remaining Commitment Under the LSA <sup>(6)</sup></b> | <b>247</b>       | <b>217</b>       | <b>206</b>       | <b>195</b>       |

Notes to the Forecasted Schedule of Financial Ratios:

- 1) Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the funded interest on the portion of the Series 2019 Bonds relating to the renovation project for the first 30 months after the issuance of the Series 2019 Bonds.
- 2) Pursuant to the Master Trust Indenture, the “Initial Testing Period” for the debt service coverage is the first full fiscal year commencing after the fiscal year in which the construction, renovation, and equipping of the Home facility is completed. Accordingly, Management has forecasted the first measurement year will be the fiscal year ending December 31, 2022. Management has elected to report fiscal year 2019, 2020, and 2021 for information purposes only as these years will not be subject to compliance requirements under the definition of Initial Testing Period in accordance with the Master Trust Indenture.
- 3) Included within forecasted investments and net assets with donor restriction, the Obligated Group maintains unappropriated endowment appreciation. Management has forecasted the release of certain endowment earnings as net assets released from restriction for operations, which is in accordance with the Obligated Group 5% spend down policy. These amounts reflect the portion that remains under restrictions as of the end of each fiscal year that is included in investments and a component of net assets with donor restriction.
- 4) In accordance with the Residency Agreement, the Obligated Group is required to comply with the escrow and trust fund provisions of Section 352-e(2)(b) and Section 352-h of the General Business Law of the State of New York and as such, the portion of Entrance Fees and Security Deposits amount that represents the 10% resident deposit has been excluded from the Days Cash on Hand calculation.
- 5) Daily operating expenses are equal to operating expenses less amortization of deferred financing costs and bond premium included as a component of interest expense, depreciation, and bad debts, divided by 365 days.
- 6) As noted hereinafter, in connection with the issuance of the Series 2019 Bonds, the Obligated Group will enter into a Limited Support Agreement (“LSA”) with the Foundation where the Foundation will provide up to \$20,000,000 of support (for purposes as defined in the LSA). The above remaining commitment under the LSA and Days Cash on Hand – Including Remaining Commitment under the LSA have been included in the above ratio presentation for informational purposes only.

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**OFFICIAL STATEMENT  
OF  
MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

**Relating to the Offering of**

**\$108,825,000  
TAX-EXEMPT REVENUE BONDS  
(ST. ANN'S COMMUNITY PROJECT),  
SERIES 2019**

**INTRODUCTORY STATEMENT**

**Purpose of this Official Statement**

This Official Statement, including the front cover page, inside cover page and appendices, provides certain information with respect to: (i) the issuance and sale by the Monroe County Industrial Development Corporation (the "Issuer") of \$108,825,000 aggregate principal amount of its Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019 (the "Series 2019 Bonds"). The Series 2019 Bonds are to be issued by the Issuer under an Indenture of Trust dated as of December 1, 2019 (the "Indenture"), between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee"). Certain capitalized terms used herein are defined in Appendix D – "FORMS OF THE PRINCIPAL DOCUMENTS."

**The Issuer**

The Issuer is a not-for-profit local development corporation existing under the laws of the State of New York, which is authorized under Section 1411 of the New York State Not-for-Profit Corporation Law (the "Act") to issue the Series 2019 Bonds for the purposes described herein. See "MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION" herein.

**The Obligated Group and the Facilities**

St. Ann's Home for the Aged, a New York not-for-profit corporation (the "Home"), St. Ann's Nursing Home Company, Inc., a New York not-for-profit corporation (the "Heritage"), St. Ann's Senior Housing, Inc., a New York not-for-profit corporation (the "Sole Member"), Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge, a New York limited liability company whose sole member is the Sole Member ("CRIL"), Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge, a New York limited liability company whose sole member is the Sole Member ("CRA") and The Glen At Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge, a New York limited liability company whose sole member is the Sole Member ("CRG"), and Chapel Oaks, Inc., a New York not-for-profit corporation ("CO"; and, collectively with the Home, the Heritage, the Sole Member, CRIL, CRA and CRG, the "Obligated Group"), are the initial members of the Obligated Group.

The Internal Revenue Service (the "IRS") has determined that the Home, the Heritage, the Sole Member and CO are each exempt from federal income taxation as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). CRIL, CRA and CRG are disregarded entities of the Sole Member for purposes of the Code.

The Home owns and operates an approximately 258,000 square-foot, ten (10) story 388-bed skilled nursing facility tower, as well as an 82-bed four (4) story skilled nursing building, located at 1500 Portland Avenue, in Irondequoit, New York (the "Irondequoit Campus"). The Heritage owns and operates nursing home facilities located at 900 Cherry Ridge Boulevard, in Webster, New York (the "Webster Campus"). CRIL owns and operates independent living facilities located at the Webster Campus. CRA owns and operates senior apartment facilities located at the Webster Campus. CRG owns and operates assisted living facilities at the Webster Campus. CO owns and operates senior apartment facilities located at the Irondequoit Campus.



For a description of the Obligated Group and the Facilities (as defined in the hereinafter defined Master Indenture), see “CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP” in Appendix A hereto.

### **Security for the Series 2019 Bonds**

Pursuant to the Loan Agreement, dated as of December 1, 2019 (the “Loan Agreement”) between the Issuer and the Obligated Group, the Issuer will lend the proceeds of the Series 2019 Bonds to the Obligated Group.

The Obligated Group’s obligation to make loan payments under the Loan Agreement related to the Series 2019 Bonds will be secured by Master Note No. 1 (the “Master Note”), issued under the Master Trust Indenture dated as of December 1, 2019 (the “Master Indenture”) between St. Ann’s of Greater Rochester, Inc., as obligated group representative (the “Obligated Group Representative”), the Obligated Group and Wilmington Trust, National Association, as master trustee (the “Master Trustee”), as amended and supplemented from time to time, including as amended and supplemented by the Supplemental Indenture Number 1 dated as of December 1, 2019 (the “Supplemental Indenture”) between the Obligated Group Representative and the Master Trustee.

Under the Master Indenture, each Obligated Group Member will grant to the Master Trustee as security for the Obligations issued thereunder, including the Master Note, a first security interest in its Gross Revenues, subject to Permitted Encumbrances. See “SECURITY FOR THE SERIES 2019 BONDS – Gross Revenues” herein.

In addition, pursuant to the Mortgage and Security Agreement (Acquisition Loan), the Mortgage and Security Agreement (Project Loan) and the Mortgage and Security Agreement (Building Loan) (collectively, the “Mortgage”), which will be assigned to the Master Trustee by the Issuer pursuant to an Assignment of Mortgage and Security Agreement (Acquisition Loan), an Assignment of Mortgage and Security Agreement (Project Loan) and an Assignment of Mortgage and Security Agreement (Building Loan), each Member of the Obligated Group will grant to the Master Trustee as security for the Master Note (a) first, second and third mortgage liens on the real and personal property comprising such Member’s Facilities (as more particularly described in the Mortgage, the “Mortgaged Property”); and (b) to the extent the Mortgaged Property is or may be treated as collateral under the Uniform Commercial Code, first, second and third security interests in the Mortgaged Property and in the proceeds thereof, except as provided in the Mortgage including without limitation all proceeds of insurance, eminent domain or sale. The Obligated Group will deliver title insurance policies insuring the Issuer and the Master Trustee in an aggregate amount equal to the principal amount of the Series 2019 Bonds. The mortgage liens and security interests created by the Mortgage will be subject to certain permitted liens as described therein.

The Series 2019 Bonds are additionally secured by certain funds and accounts created under the Indenture as well as a Reserve Fund established under the Master Indenture. For a more detailed description of the security available for the Series 2019 Bonds, see “SECURITY FOR THE SERIES 2019 BONDS.”

### **Plan of Financing**

The Series 2019 Bonds are being issued to finance and/or refinance, together with other available funds, a project as more particularly described and defined below (collectively, the “Project”).

The Project consists of:

(A) (i) the refunding of the outstanding principal amount of the \$28,881,867.31 original principal amount Tax-Exempt Revenue Bonds (St. Ann’s Home for the Aged Project), Series 2014A (the “Home Series 2014A Bonds”) issued by the Issuer for the benefit of the Home, the proceeds of which were applied to (a) refund the outstanding principal amount of the \$16,000,000 original principal amount Civic Facility Revenue Bonds (St. Ann’s Home for the Aged Project), Series 2000 issued by the County of Monroe Industrial Development Agency (“COMIDA”) for the benefit of the Home, the proceeds of which were applied to finance and/or refinance nursing facilities and improvements located at 1500 Portland Avenue, Irondequoit, New York (the “Irondequoit Campus”) and (b) refund the outstanding principal amount of the \$17,200,000 original principal amount Multi-Modal Revenue Bonds (St. Ann’s Home For The Aged Project), Series 2010 issued by the Issuer for the benefit of the Home, the proceeds of which were applied to finance and/or refinance nursing facilities and improvements at the Irondequoit Campus, and (ii) the payment of the termination fee for the swap entered into in connection with the Home Series

2014A Bonds pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Home and KeyBank, National Association;

(B) (i) the refunding of the outstanding principal amount of the \$16,246,280.90 Tax-Exempt Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2014A (the "Heritage Series 2014A Bonds") issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to refund the outstanding principal amount of the \$16,085,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2010 issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to finance and/or refinance nursing home facilities and improvements located at 900 Cherry Ridge Boulevard, in Webster, New York (the "Webster Campus"); and (ii) the payment of the termination fee for the swap entered into in connection with the Heritage Series 2014A Bonds pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Heritage and KeyBank, National Association;

(C) the refunding of the outstanding principal amount of the \$6,250,036.44 Tax-Exempt Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2014A (the "CRIL Series 2014A Bonds") issued by the Issuer for the benefit of CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$13,940,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2005 issued by COMIDA for the benefit of CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance independent living facilities and improvements at the Webster Campus;

(D) the refunding of the outstanding principal amount of the \$8,219,174.04 Tax-Exempt Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2014A (the "CRA Series 2014A Bonds") issued by the Issuer for the benefit of CRA, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$9,455,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of CRA, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance senior apartment facilities and improvements at the Webster Campus;

(E) the refunding of the outstanding principal amount of the \$12,717,513.91 Tax-Exempt Revenue Bonds (The Glen at Cherry Ridge, LLC Project), Series 2014A (the "CRG Series 2014A Bonds") issued by the Issuer for the benefit of CRG, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$14,625,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of CRG, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance assisted living facilities and improvements at the Webster Campus;

(F) the payment of the termination fee for the swap entered into in connection with the CRIL Series 2014A Bonds, the CRA Series 2014A Bonds and the CRG Series 2014A Bonds pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Sole Member, CRIL, CRA, CRG and KeyBank, National Association;

(G) the refunding of the outstanding principal amount of the \$9,065,000 Revenue Refunding Bonds (Chapel Oaks, Inc. Project), Series 2014 (the "CO Series 2014 Bonds", and collectively with the Home Series 2014A Bonds, the Heritage 2014A Bonds, the CRIL Series 2014A Bonds, the CRA Series 2014A Bonds and the CRG Series 2014A Bonds, the "Prior Bonds") issued by the Village of East Rochester Housing Authority for the benefit of CO, the proceeds of which were applied to refund the outstanding principal amount of the \$14,455,000 original principal amount Revenue Bonds (Chapel Oaks, Inc. Project), Series 1997 issued by the Dormitory Authority of the State of New York for the benefit of CO, the proceeds of which were applied to finance and/or refinance senior apartment facilities and improvements at the Irondequoit Campus;

(H) the financing of (i) the renovation, equipping and modernization of the approximately 258,000 square-foot, ten (10) story existing 388-bed skilled nursing facility tower owned by the Home and located at the Irondequoit Campus in order to provide for, among other things, renovated and reconfigured resident rooms, family/common areas, back of the house areas, including, but not limited to, staff and nurse stations, food service

areas and cooling/duct/electrical upgrades, together with ancillary and related facilities and improvements (collectively, the “2019 Home Improvements”) and (ii) the acquisition and installation in and around the 2019 Home Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the “2019 Home Equipment”, together with the 2019 Home Improvements, the “2019 Home Facility”) which such portion of the Project is referred to herein as the “2019 Home Project”;

(I) the funding of capitalized interest with respect to the 2019 Home Project;

(J) the funding of the deposit to the Reserve Fund established under the Master Indenture for the Series 2019 Bonds; and

(K) the payment of certain costs and expenses incidental to the issuance of the Series 2019 Bonds and the defeasance and/or redemption of the Prior Bonds.

### **Financial Feasibility Study**

The Obligated Group has engaged CliftonLarsonAllen LLP, certified public accountants, to issue an Independent Accountant’s Examination Report on the Obligated Group’s financial forecast dated November 11, 2019 (the “Financial Feasibility Study”), which is included as Appendix C hereto.

### **MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

The Issuer is a not-for-profit local development corporation duly organized and existing under Section 1411 of the Not-for-Profit Corporation Law of the State, as amended (the “Act”), having an office for the transaction of business at 50 W. Main Street, Rochester, New York 14614. The Issuer has the authority and power to own, lease and sell personal and real property for the purposes of, among other things, acquiring, constructing and equipping certain projects exclusively in furtherance of the charitable or public purposes of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, by encouraging the development of, or retention of, an industry in the community or area, and lessening the burdens of government and acting in the public interest. The Act further authorizes the Issuer to issue its bonds and to loan the proceeds thereof for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to pledge certain revenues and receipts to secure the payment of such bonds and interest thereon.

The Issuer has no power of taxation.

The Series 2019 Bonds are special and limited obligations of the Issuer, payable solely as provided in the Indenture.

THE SERIES 2019 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF MONROE COUNTY OR THE STATE OF NEW YORK AND NEITHER MONROE COUNTY NOR THE STATE OF NEW YORK WILL BE LIABLE THEREON.

### **THE OBLIGATED GROUP**

The Members of the Obligated Group are each New York not-for-profit corporations or limited liability companies, the sole members of which are New York not-for-profit corporations. The Members of the Obligated Group own and operate senior living, assisted living and nursing home facilities in Monroe County, New York as more particularly described herein. See “CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP” in Appendix A hereto.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following is an estimate of the sources and uses of funds in connection with the issuance of the Series 2019 Bonds.

Estimated Sources of Funds

|                                  |                      |
|----------------------------------|----------------------|
| Series 2019 Bonds.....           | \$108,825,000.00     |
| Plus Original Issue Premium..... | 8,388,572.95         |
| Obligated Group Equity .....     | 10,000,000.00        |
| <br>Total Sources of Funds ..... | <br>\$127,213,572.95 |

Estimated Uses of Funds

|  |                      |
|--|----------------------|
| 2019 Home Project                                  | \$41,600,495.00      |
| Capitalized Interest <sup>(1)</sup>                | 4,263,076.99         |
| Refunding of Prior Bonds                           | 69,370,113.21        |
| Swap Terminations                                  | 2,028,400.00         |
| Deposit to Reserve Fund under the Master Indenture | 7,151,750.00         |
| Cost of Issuance <sup>(2)</sup> .....              | 2,799,737.75         |
| <br>Total Uses of Funds .....                      | <br>\$127,213,572.95 |

<sup>(1)</sup> The capitalized interest is only applicable to the portion of the Series 2019 Bonds used to finance the 2019 Home Project.  
<sup>(2)</sup> Includes Underwriter’s discount, Trustee, legal, accounting and other professional fees, Issuer fee, printing and other miscellaneous expenses relating to the issuance and sale of the Series 2019 Bonds.

**THE SERIES 2019 BONDS**

**General Description**

The Series 2019 Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) and will be available to ultimate purchasers (“Beneficial Owners”) under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book entry form in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2019 Bonds. So long as the Series 2019 Bonds are held in DTC’s book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner of the Series 2019 Bonds for all purposes of the Indenture, the Series 2019 Bonds and this Official Statement, and payments of principal or redemption price of and interest on the Series 2019 Bonds will be made solely through the facilities of DTC. See “Book-Entry-Only System” herein.

Interest on the Series 2019 Bonds will be based on a 360 day year of twelve 30 day months and shall be payable on each January 1 and July 1, commencing on July 1, 2020 (or the next succeeding Business Day, if such first day is not a Business Day; each, an “Interest Payment Date”). So long as Cede & Co. is the registered owner of the Series 2019 Bonds, payments of principal or redemption price of and interest on the Series 2019 Bonds are required to be made to Beneficial Owners by DTC through its participants.

The regular record date for interest due on the Series 2019 Bonds on any January 1 shall be the fifteenth (15<sup>th</sup>) day of the month next preceding January 1 and the record date for interest due on any July 1 shall be the fifteenth (15<sup>th</sup>) day of the month next preceding July 1 (in each case whether or not a Business Day). Notwithstanding the foregoing, interest which is due and payable on any Interest Payment Date, but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. Such defaulted interest will be payable to the person in whose name such

Series 2019 Bond is registered at the close of business on a special record date established by the Trustee. The Trustee shall mail a notice specifying the special payment date and special record date so established to each registered owner of the Series 2019 Bonds, such notice to be mailed at least 15 days prior to the special record date.

### **Redemption Prior to Maturity**

Optional Redemption of Series 2019 Bonds. The Series 2019 Bonds are subject to redemption by the Issuer at the option of the Obligated Group on or after January 1, 2026, in whole or in part at any time, at the following prices expressed in percentages of their principal amount to be redeemed, plus accrued interest to the Redemption Date:

| <u>Redemption Dates</u><br><u>(both dates inclusive)</u> | <u>Redemption Price</u> |
|--|-------------------------|
| January 1, 2026 through December 31, 2026                | 103%                    |
| January 1, 2027 through December 31, 2027                | 102                     |
| January 1, 2028 through December 31, 2028                | 101                     |
| January 1, 2029 and thereafter                           | 100                     |

The Trustee will call Series 2019 Bonds for redemption pursuant to above provision upon receipt of notice from the Issuer, or the Obligated Group on behalf of the Issuer, directing such redemption, which notice will be sent to the Trustee at least twenty (20) days prior to the Redemption Date or such fewer number of days as shall be acceptable to the Trustee and will specify (i) the principal amount of Series 2019 Bonds so to be called for redemption and (ii) the Redemption Price. The Issuer will direct the Trustee to call Series 2019 Bonds for optional redemption when and only when it shall have been notified by the Obligated Group to do so.

### Mandatory Sinking Fund Redemption of Series 2019 Bonds Without Premium.

The Series 2019 Bonds maturing on January 1, 2030 are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

| <u>Sinking Fund</u><br><u>Redemption Dates</u> | <u>Sinking Fund</u><br><u>Redemption Amounts</u> |
|--|--|
| January 1, 2021                                | \$1,145,000                                      |
| January 1, 2022                                | 1,200,000  |
| January 1, 2023                                | 1,245,000  |
| January 1, 2024                                | 2,045,000  |
| January 1, 2025                                | 2,125,000  |
| January 1, 2026                                | 2,215,000  |
| January 1, 2027                                | 2,300,000  |
| January 1, 2028                                | 2,395,000  |
| January 1, 2029                                | 2,490,000  |
| January 1, 2030*                               | 2,590,000  |

\*Stated maturity.

The Series 2019 Bonds maturing on January 1, 2040 are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

| <u>Sinking Fund<br/>Redemption Dates</u> | <u>Sinking Fund<br/>Redemption Amounts</u> |
|--|--|
| January 1, 2031                          | \$2,695,000                                |
| January 1, 2032                          | 2,830,000                                  |
| January 1, 2033                          | 2,970,000                                  |
| January 1, 2034                          | 3,120,000                                  |
| January 1, 2035                          | 3,275,000                                  |
| January 1, 2036                          | 3,440,000                                  |
| January 1, 2037                          | 3,610,000                                  |
| January 1, 2038                          | 3,795,000                                  |
| January 1, 2039                          | 3,980,000                                  |
| January 1, 2040*                         | 4,180,000                                  |

\*Stated maturity.

The Series 2019 Bonds maturing on January 1, 2050 are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

| <u>Sinking Fund<br/>Redemption Dates</u> | <u>Sinking Fund<br/>Redemption Amounts</u> |
|--|--|
| January 1, 2041                          | \$4,385,000                                |
| January 1, 2042                          | 4,605,000                                  |
| January 1, 2043                          | 4,835,000                                  |
| January 1, 2044                          | 5,080,000                                  |
| January 1, 2045                          | 5,335,000                                  |
| January 1, 2046                          | 5,600,000                                  |
| January 1, 2047                          | 5,880,000                                  |
| January 1, 2048                          | 6,175,000                                  |
| January 1, 2049                          | 6,480,000                                  |
| January 1, 2050*                         | 6,805,000                                  |

\*Stated maturity.

Not less than thirty (30) days nor more than sixty (60) days next preceding a sinking fund redemption date, the Trustee will select for redemption on such date a principal amount of Series 2019 Bonds subject to redemption, in an amount not exceeding that necessary to complete the retirement of an aggregate principal amount of Series 2019 Bonds equal to such sinking fund redemption amount, as of such sinking fund redemption date. Accrued interest and principal on such Series 2019 Bonds so redeemed shall be paid from the Bond Fund, and all expenses in connection with such redemption shall be paid by the Obligated Group. All Series 2019 Bonds shall be redeemed in the manner provided in the Indenture. The Obligated Group may, at its election upon delivery to the Trustee of a certificate signed by an Authorized Representative of the Obligated Group, apply as a credit against the aggregate principal amount of Series 2019 Bonds subject to redemption on such sinking fund redemption date the principal amount of Series 2019 Bonds of the same maturity acquired by the Obligated Group and delivered to the Trustee for cancellation not less than ninety (90) days prior to such sinking fund redemption date, or redeemed otherwise than pursuant to an optional redemption as provided herein which have not theretofore been used for the purposes of any such credit.

**Special Redemption.** The Series 2019 Bonds are subject to redemption prior to maturity at the option of the Issuer (exercised at the direction of the Authorized Representative of the Obligated Group), in whole or in part on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of Series 2019 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Facility to which such proceeds relate,

and (ii) from unexpended proceeds of the Series 2019 Bonds upon the abandonment of all or a portion of the Facility to which such unexpended proceeds relate due to a legal or regulatory impediment.

If the Series 2019 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described above, the Obligated Group is required under the Loan Agreement to deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Obligated Group stating that, as a result of the occurrence of the event giving rise to such redemption, the Obligated Group has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

Purchase In Lieu of Redemption. If the Series 2019 Bonds are called for redemption in whole or in part pursuant to the terms of the Indenture, the Series 2019 Bonds called for redemption may be purchased in lieu of redemption in accordance with this provision. Purchase in lieu of redemption will be available for all of the Series 2019 Bonds called for redemption or for such lesser portion of such Series 2019 Bonds as constitute authorized denominations under the Indenture. The Obligated Group may direct the Trustee to purchase all or such lesser portion of the Series 2019 Bonds so called for redemption. Any such direction to the Trustee must:

- (i) be in writing;
- (ii) state either that all of the Series 2019 Bonds called for redemption are to be purchased or, if less than all of the Series 2019 Bonds called for redemption are to be purchased, identify those Series 2019 Bonds to be purchased in authorized denominations; and
- (iii) be received by the Trustee no later than 12:00 noon, New York City time, one (1) Business Day prior to the Redemption Date.

If so directed, the Trustee will purchase such Series 2019 Bonds on the date which otherwise would be the date of redemption of the Series 2019 Bonds. Any of the Series 2019 Bonds called for redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required by the Indenture on the date set for redemption. On or prior to the scheduled redemption date, any direction given to the Trustee in connection with a purchase in lieu of such redemption may be withdrawn by notice to the Trustee. The purchase shall be made for the account of the Obligated Group or its designee. The purchase price of the Series 2019 Bonds shall be equal to the Outstanding principal of, accrued and unpaid interest on, and the redemption premium, if any, which would have been payable on such Series 2019 Bonds on the applicable redemption date for such redemption. To pay the purchase price of such Series 2019 Bonds, the Trustee will use such moneys (including, to the extent applicable, moneys on deposit in the various funds and accounts established under the Indenture except the Rebate Fund) that the Trustee would have used to pay the Outstanding principal of, accrued and unpaid interest on, and the redemption premium, if any, that would have been payable on the Series 2019 Bonds on the date set for redemption. The Trustee will not purchase the Series 2019 Bonds pursuant to the provisions of the Indenture if, by no later than the date set for redemption, sufficient moneys have not been deposited with the Trustee, or such moneys are deposited, but are not available. No notice of the purchase in lieu of redemption will be required to be given to the Holders (other than the notice of redemption otherwise required under the Indenture).

Selection of Bonds to be Called for Redemption. If less than all Bonds of the same series and maturity are to be redeemed, the Bonds of such series and maturity to be called for redemption will be selected by lot. If less than all of the Bonds of the same series and different maturities are to be redeemed, the Bonds to be redeemed will be as directed by the Authorized Representative of the Obligated Group in writing, or if no such written direction is received by the Trustee, the principal amount of such redemption shall be applied in inverse order of maturity and by lot within a maturity. So long as the Series 2019 Bonds are held in the Book-Entry Only System, such selection shall be made by DTC in such manner as DTC may determine. See the caption "Book-Entry-Only System" herein.

Notice of Redemption. When Series 2019 Bonds are to be redeemed pursuant to the Indenture, the Trustee will give notice of the redemption of the Series 2019 Bonds in the name of the Issuer and at the expense of the Obligated Group stating: (1) the Series 2019 Bonds to be redeemed; (2) the Redemption Date; (3) that such Series 2019 Bonds will be redeemed at the Office of the Trustee; (4) that on the Redemption Date there shall become due and payable upon each Series 2019 Bond to be redeemed the Redemption Price thereof (except in the case of a mandatory sinking fund redemption, in which case the principal will be due and payable on the Redemption Date



and the interest will be paid on such date as provided in the Indenture) and (5) that from and after the Redemption Date interest thereon shall cease to accrue. With respect to any optional redemption, any such notice of redemption will state that the redemption is conditioned upon receipt by the Trustee, on or prior to the Redemption Date, of moneys sufficient, together with any other moneys held by the Trustee and available therefor, to pay on the Redemption Date the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received on or prior to the Redemption Date such notice shall be of no force or effect and such Bonds shall not be required to be redeemed. The Trustee will mail a copy of the notice required above, postage prepaid, not less than twenty (20) days nor more than sixty (60) days prior to the Redemption Date, to each Holder at the address of such Holder appearing on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar. Such mailing shall not be a condition precedent to such redemption, and failure to so mail any such notice to any of such Holders shall not affect the validity of the proceedings for the redemption of the Series 2019 Bonds.

Payment of Redeemed Bonds. If, on the Redemption Date, moneys for the redemption of all Series 2019 Bonds or portions thereof to be redeemed, together with interest thereon to the Redemption Date, are held by the Trustee in the Bond Fund so as to be available therefor on such date, the Series 2019 Bonds or portions thereof so called for redemption will cease to bear interest, and such Series 2019 Bonds or portions thereof will no longer be Outstanding under the Indenture or be secured by or be entitled to the benefits of the Indenture. In the event the Owner fails to present or surrender its Series 2019 Bonds on the Redemption Date, the Trustee will deposit such moneys in a separate non-interest bearing account, in trust for the benefit of such Owner, and the funds held in such account will not be invested by the Trustee. If such moneys are not available on the Redemption Date, such Series 2019 Bonds will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Indenture; additionally, the Trustee shall within fifteen (15) days after the proposed Redemption Date notify all affected Holders that the redemption has been revoked.

### **Additional Bonds**

The Indenture provides for the issuance, under certain conditions thereunder including compliance with the provisions of the Master Indenture described herein, of Additional Bonds by the Issuer on a parity with the Series 2019 Bonds.

See Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE INDENTURE” for a description of the Additional Bonds.

### **Book-Entry-Only System**

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.

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 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 Series 2019 Bond in the aggregate principal amount of each maturity and series will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, defaults and proposed amendments to the documents relating to the Series 2019 Bonds. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a series and maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC’s 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 Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 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 Trustee, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the

Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor depository is not obtained, then the Series 2019 Bonds will no longer be restricted to being registered in the name of DTC's nominee, but will be registered in whatever name or names holders transferring or exchanging Series 2019 Bonds shall designate, in accordance with the provisions of the Indenture.

THE ISSUER, THE OBLIGATED GROUP, THE TRUSTEE, THE PAYING AGENT AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE SERIES 2019 BONDS (I) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2019 BONDS, OR (II) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2019 BONDS, OR (III) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE ISSUER, THE OBLIGATED GROUP, THE TRUSTEE, THE PAYING AGENT OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE SERIES 2019 BONDS WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (II) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, ANY SERIES 2019 BONDS, (III) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2019 BONDS, OR (V) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

## DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the Series 2019 Bonds, including the principal of the Series 2019 Bonds to be redeemed by mandatory sinking fund redemption.

| <b>Period<br/>Ending<br/>January 1</b> | <b>Series 2019 Bonds<br/>Principal</b> | <b>Series 2019 Bonds<br/>Interest</b> | <b>Total Debt Service</b> |
|--|--|---------------------------------------|---------------------------|
| 2021                                   | \$1,145,000                            | \$5,258,316                           | \$6,403,316               |
| 2022                                   | 1,200,000                              | 5,197,950                             | 6,397,950                 |
| 2023                                   | 1,245,000                              | 5,149,950                             | 6,394,950                 |
| 2024                                   | 2,045,000                              | 5,100,150                             | 7,145,150                 |
| 2025                                   | 2,125,000                              | 5,018,350                             | 7,143,350                 |
| 2026                                   | 2,215,000                              | 4,933,350                             | 7,148,350                 |
| 2027                                   | 2,300,000                              | 4,844,750                             | 7,144,750                 |
| 2028                                   | 2,395,000                              | 4,752,750                             | 7,147,750                 |
| 2029                                   | 2,490,000                              | 4,656,950                             | 7,146,950                 |
| 2030                                   | 2,590,000                              | 4,557,350                             | 7,147,350                 |
| 2031                                   | 2,695,000                              | 4,453,750                             | 7,148,750                 |
| 2032                                   | 2,830,000                              | 4,319,000                             | 7,149,000                 |
| 2033                                   | 2,970,000                              | 4,177,500                             | 7,147,500                 |
| 2034                                   | 3,120,000                              | 4,029,000                             | 7,149,000                 |
| 2035                                   | 3,275,000                              | 3,873,000                             | 7,148,000                 |
| 2036                                   | 3,440,000                              | 3,709,250                             | 7,149,250                 |
| 2037                                   | 3,610,000                              | 3,537,250                             | 7,147,250                 |
| 2038                                   | 3,795,000                              | 3,356,750                             | 7,151,750                 |
| 2039                                   | 3,980,000                              | 3,167,000                             | 7,147,000                 |
| 2040                                   | 4,180,000                              | 2,968,000                             | 7,148,000                 |
| 2041                                   | 4,385,000                              | 2,759,000                             | 7,144,000                 |
| 2042                                   | 4,605,000                              | 2,539,750                             | 7,144,750                 |
| 2043                                   | 4,835,000                              | 2,309,500                             | 7,144,500                 |
| 2044                                   | 5,080,000                              | 2,067,750                             | 7,147,750                 |
| 2045                                   | 5,335,000                              | 1,813,750                             | 7,148,750                 |
| 2046                                   | 5,600,000                              | 1,547,000                             | 7,147,000                 |
| 2047                                   | 5,880,000                              | 1,267,000                             | 7,147,000                 |
| 2048                                   | 6,175,000                              | 973,000                               | 7,148,000                 |
| 2049                                   | 6,480,000                              | 664,250                               | 7,144,250                 |
| 2050                                   | <u>6,805,000</u>                       | <u>340,250</u>                        | <u>7,145,250</u>          |
| Total*                                 | \$108,825,000                          | \$103,341,616                         | \$212,166,616             |

## SECURITY FOR THE SERIES 2019 BONDS

### General

The Series 2019 Bonds are to be issued pursuant to the Indenture and, together with any Additional Bonds which may be issued from time to time under the Indenture, will be equally and ratably secured thereby.

### Bond Fund

Pursuant to the Indenture, a Bond Fund shall be established with the Trustee. Payments by the Obligated Group in respect of the Debt Service Requirements on the Series 2019 Bonds shall be deposited into the Bond Fund, and shall be applied on each payment date for the Series 2019 Bonds to the payment of the principal, including Sinking Fund Payments, of and interest on the Series 2019 Bonds.

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\* Totals may not add due to rounding

**THE SERIES 2019 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF MONROE COUNTY OR THE STATE OF NEW YORK AND NONE OF MONROE COUNTY OR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.**

### **The Loan Agreement**

Under the Loan Agreement, the Obligated Group will make payments sufficient to pay the principal, purchase price or redemption price of and interest on the Series 2019 Bonds when due. The Loan Agreement is a general obligation of the Obligated Group which will be secured by the Master Note.

### **The Mortgages**

Pursuant to each Mortgage, each Member of the Obligated Group has granted to the Issuer first, second and third mortgage liens on the land and buildings included in its respective Facility. The liens created by each Mortgage will be subject to Permitted Encumbrances, as defined in Appendix D hereto. Also, pursuant to each Mortgage, each Member of the Obligated Group has granted to the Issuer, a security interest in the personal property, equipment and fixtures included in such Facility and any condemnation awards or insurance proceeds with respect thereto. Pursuant to each Assignment of Mortgage, the Issuer has assigned each respective Mortgage to the Master Trustee to secure the Obligated Group's obligations under the Master Indenture, including the Master Note.

### **Debt Service Reserve Fund**

The Master Trustee will establish and maintain under the Master Indenture a Reserve Fund and within the Reserve Fund, a "Composite Reserve Account." The Supplemental Indenture will provide that the Master Note will be entitled to the benefit of the Composite Reserve Account in the Reserve Fund and will provide for the deposit of such amount as may be necessary to cause the amount on deposit in the Composite Reserve Account of the Reserve Fund to equal the Debt Service Reserve Fund Requirement with respect thereto.

If, on any date on which principal of or interest on an Obligation entitled to the benefits of the Reserve Fund is to be paid to the Holder thereof, the moneys on deposit under the Related Bond Indenture are insufficient to pay the principal of or interest on such Related Bonds, then the Master Trustee shall proceed to use moneys on deposit in the applicable account in the Reserve Fund to make up any deficiencies by paying money on deposit in the applicable account in the Reserve Fund to the Holder of the applicable Obligation(s) to make up any deficiencies. In the event that moneys are withdrawn from the Reserve Fund to make up any such deficiencies, the Master Trustee shall notify the Obligated Group Representative of the amount so withdrawn. In the case of any such withdrawal, the Obligated Group agrees to restore the amount on deposit in the Reserve Fund or account therein to an amount equal to the Debt Service Reserve Fund Requirement as soon as reasonably practicable and in any event in not more than 12 substantially equal consecutive monthly installments beginning with the first day of the first month after the month in which the withdrawal was made.

Investments in the Reserve Fund or account therein shall be valued by the Master Trustee as of the last Business Day of each December and June on the basis of fair market value (which valuation shall take into account any accrued and unpaid interest). If on any valuation date the amount on deposit in the Reserve Fund is less than 100% of the Debt Service Reserve Fund Requirement as a result of a decline in the market value of investments in the Reserve Fund, the Obligated Group shall deposit in the Reserve Fund the amount necessary to restore the amount on deposit in the Reserve Fund to the Debt Service Reserve Fund Requirement within not more than 120 days following the date on which it receives notice of such deficiency from the Master Trustee. If the amount on deposit in the Debt Service Reserve Fund under the Master Indenture is more than the Debt Service Reserve Fund Requirement, the amount of such excess shall, if the Obligated Group so directs, (i) be transferred to the Related Bond Trustee to the extent of the amount required to be deposited for debt service for the next required principal payment date on the Related Bonds occurring within 13 months of such transfer and any excess shall be deposited in the interest fund and used to pay interest on Related Bonds or (ii) used for any other corporate purpose, provided, however, the Master Trustee shall have received an Opinion of Bond Counsel (which Opinion, including the scope,

form, substance and other aspects thereof are acceptable to the Master Trustee) to the effect that the foregoing use in (ii) will not adversely affect, 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.

“Debt Service Reserve Fund Requirement” with respect to the Composite Reserve Account means the least of (A) one hundred percent (100%) of Maximum Annual Debt Service Requirement on the Obligations secured by the Composite Reserve Account, (B) one hundred twenty-five percent (125%) of the average annual debt service requirement on the Obligation or Obligations secured by the Composite Reserve Account and (C) ten percent (10%) of the original stated original principal amount of the Related Bonds secured by the Obligations secured by the Composite Reserve Account, or, if the Related Bonds have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters’ compensation, ten percent (10%) of the initial offering prices to the public of the Related Bonds.

### **Security Under the Master Indenture**

The loan payments under the Loan Agreement securing the Series 2019 Bonds are secured by the Master Note which is issued under and pursuant to the Master Indenture. The Master Note will be issued under the Supplemental Indenture by the Obligated Group Representative, on behalf of the Obligated Group, to the Trustee by way of endorsement from the Issuer for the benefit of the bondholders. The Master Indenture provides that all obligations issued thereunder, such as the Master Note, are joint and several obligations of all Members of the Obligated Group.

The Master Note will be in same principal amount as the Series 2019 Bonds, and will have terms and conditions to provide payments thereon in the aggregate sufficient to pay all amounts to become due on the Series 2019 Bonds. In addition, the Master Note is subject to the same payment and prepayment terms as the obligations of the Obligated Group with respect to the Series 2019 Bonds under the Loan Agreement. The Master Note and the Supplemental Indenture provide that the Obligated Group will receive credit, to the extent, in the manner and with the effect provided therein, for payments of principal and sinking fund installments and premium, if any, and interest required on the Series 2019 Bonds in amounts equal to (i) amounts paid under the Indenture for the payment of principal of and premium, if any, and interest on the Series 2019 Bonds, and (ii) the par amount of the Series 2019 Bonds purchased and delivered to the Trustee for cancellation.

### *Gross Revenues*

Gross Revenues is defined in the Master Indenture to include 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) accounts 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.

As provided in the Master Indenture, each Member of the Obligated Group has granted, and each additional Person admitted to the Obligated Group shall grant as a condition of such admission, to the Master Trustee a security interest in all of its Gross Revenues (subject to the right of any member to grant a prior Lien as permitted under the Master Indenture) as security for its obligation to make payments under all Obligations issued under the Master Indenture, including the Master Note. Each Member of the Obligated Group represents and warrants in the Master Indenture that the Lien granted on the Gross Revenues is and at all times will be a first Lien, subject only to Liens permitted by the Master Indenture.

The enforcement of the Lien on Gross Revenues may be subject to limitations imposed by the Bankruptcy Code (as hereinafter defined) and to the exercise of discretion by a court of equity and to other significant conditions and limitations, including restrictions upon assignment of accounts receivable and the proceeds thereof under the Medicare and Medicaid programs. See “CERTAIN BONDHOLDERS’ RISKS – Bankruptcy” and “– Pledge of Gross Revenues.”

#### *Historical Debt Service Coverage Ratio*

Under the Master Indenture, the Obligated Group covenants and agrees to operate its Facilities on a revenue producing basis (if applicable to the nature of the Member’s facilities) 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 hereunder to the extent permitted by law. Each Member 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 under the provisions of the Master Indenture.

If the Historical Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year commencing with 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 and notify the Master Trustee in writing of the selection within 30 days following the calculation described in the Master Indenture, and shall engage a Consultant in accordance with the provisions of the Master Indenture 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 the applicable required level set forth above 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 provision 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



(as applicable) 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 described in this paragraph.

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 shall not be obligated to require the Obligated Group to select a Consultant to make such recommendations if: (i) 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 the Master Indenture, and such report is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; (ii) 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 (iii) 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.

Notwithstanding any other provisions of the Master Indenture, an Event of Default arising with respect to the failure to achieve the required Historical Debt Service Coverage Ratio shall only occur if one or more of the following conditions applies:

- (1) the Obligated Group (A) fails to achieve the Historical Debt Service Coverage Ratio set forth above for any Fiscal Year, and (B) fails to take all necessary action to comply with the procedures described above for preparing a report, adopting a plan, and following all recommendations contained in such report or plan to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law; or
- (2) the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for two (2) consecutive Fiscal Years.

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 the project or projects 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 provisions above until the first full Fiscal Year following the later of (i) the estimated completion of the 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 project set forth in the Consultant's report described in paragraph (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, further, 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 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.

See Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE” under the heading “Rates and Charges.”

#### *Days Cash on Hand*

Pursuant to the Master Indenture, the Obligated Group covenants that it will calculate the Days Cash on Hand of the Obligated Group as of June 30 and December 31 of each Fiscal Year, commencing with December 31, 2019 (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 no less than 75 Days Cash on Hand (the “Liquidity Requirement”).

If the Days Cash on Hand 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 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 Days Cash on Hand to the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised the level of Days Cash on Hand 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 receipt of the Officer's Certificate disclosing such deficiency, select a Consultant in accordance with the provisions of 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 Days Cash on Hand 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 after the date such Consultant is actually engaged. 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.

See Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE” under the heading “Liquidity Covenant.”

#### *Additional Members Under the Master Indenture; Withdrawal*

The Master Indenture contains provisions permitting the addition, withdrawal or consolidation of Members under certain conditions. See Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE.”

#### *Additional Debt*

The Master Indenture permits each Member of the Obligated Group to incur Obligations secured by a lien on each Member's Gross Revenues on a parity with the Master Note given as security for the Series 2019 Bonds. The incurrence of additional parity Obligations is subject to certain conditions, including compliance with the Master Indenture's limits on Indebtedness. The Obligated Group may also incur Indebtedness on an unsecured or non-parity basis under certain conditions and limitations set forth in the Master Indenture. For additional information concerning the incurrence of additional Indebtedness, see Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE.”

#### *Joint and Several Obligation*

Each Member of the Obligated Group has unconditionally and irrevocably agreed that it shall be jointly and severally obligated to pay all amounts becoming due and payable on all Obligations issued under the Master Indenture according to the terms thereof. If for any reason any payment required pursuant to the terms of the Obligation issued hereunder has not been timely paid, each Member shall be obligated to make such payment.

### **Construction Consultant**

The construction consulting firm of zumBrunnen, Inc. (the “Construction Consultant”), a full-service national construction consulting company founded in 1989 that specializes in the senior living industry, has been selected and retained by the Obligated Group pursuant to a Proposal for zumBrunnen Services, dated as of October 31, 2019 (the “Proposal for Services”), to review construction, provide monthly reports and review requisition requests all in connection with the 2019 Home Project.

The monthly reports provided by the Construction Consultant pursuant to the Proposal for Services will include the following, among other things, whether work, completed to that date, is in substantial compliance with the plans and specifications and standards of good workmanship, give estimates of percentages of completion, state whether the amount of completion conforms to actual work and monitor the critical path schedule and report on the feasibility of the proposed completion dates. The Obligated Group has covenanted in the Continuing Disclosure Agreement to file each such Construction Consultant report with the Municipal Securities Rulemaking Board. See “APPENDIX F—FORM OF CONTINUING DISCLOSURE AGREEMENT.”

### **Requisition Process**

Pursuant to the Indenture, the Trustee is directed to disburse funds from the Project Fund upon receipt of a written requisition in the form attached to the Indenture. All requisitions must be signed by the Obligated Group and, with respect to hard costs with respect to the 2019 Home Project, approved by the Construction Consultant in accordance with the terms of the Proposal for Services.

## **No Credit Enhancement**

There is no credit enhancement facility securing the Issuer's obligations under the Indenture or the Series 2019 Bonds as initially issued, nor is there any requirement that a credit enhancement facility for the Series 2019 Bonds ever be provided.

## **Financial Feasibility Study**

The Obligated Group has engaged CliftonLarsonAllen LLP, independent certified public accountants, to issue an Independent Accountant's Examination Report on the Obligated Group's financial forecast, which is included as Appendix C hereto. The Financial Feasibility Study includes management's financial forecast of the Obligated Group as of and for the four years ending December 31, 2019 through December 31, 2022.

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 C hereto.

## **LIMITED SUPPORT AGREEMENT**

In connection with the issuance of the Series 2019 Bonds, St. Ann's Foundation (the "Foundation") will enter into a Limited Support Agreement (the "Limited Support Agreement") with the Obligated Group Representative, the Obligated Group and the Master Trustee. Pursuant to the Limited Support Agreement, the Foundation has agreed to provide up to \$20,000,000 of support (as such amount shall be reduced from time to time in accordance with the Limited Support Agreement, the "Commitment") to the Obligated Group for the following purposes (each, a "Support Payment"): (i) prior to the date when the 2019 Home Project is complete, if no moneys are on deposit in the Project Fund under the Indenture (other than any amounts on deposit therein that have been previously committed to pay 2019 Home Project costs), the Obligated Group Representative may make written demand for payment of funds required to complete the 2019 Home Project in accordance with the Loan Agreement by directing the Foundation to transfer cash to the Trustee for deposit in the Project Fund under the Indenture, or (ii) if at any time an Obligated Group Member needs money for payment of working capital expenses, capital costs other than 2019 Home Project costs or operating expenses, and no moneys are otherwise available to such Obligated Group Member at that time to pay such amounts, the Obligated Group Representative may make written demand for payment directing the Foundation to transfer cash to such Obligated Group Member.

The aggregate amount available for payment under the Commitment shall be reduced by the amount of each payment made pursuant to the Limited Support Agreement by the Foundation to an Obligated Group Member or to the Trustee as described above.

The Commitment shall be reduced to zero and the Limited Support Agreement shall terminate and cease to be of any further force and effect, when

- (i) the Foundation makes Support Payments in the aggregate of \$20,000,000; or
- (ii) the Obligated Group Representative delivers to the Master Trustee and the Foundation a certificate of a duly authorized officer of the Obligated Group Representative certifying that:
  - (w) the 2019 Home Project was completed in accordance with the terms of the Loan Agreement within a Fiscal Year prior to the most recent completed Fiscal Year;
  - (x) the Obligated Group has achieved the Historical Debt Service Coverage Ratio required under the Master Indenture for the most recent Fiscal Year for which audited financial statements are available (based on such audited financial statements) excluding contributions from the Foundation;

(y) the Obligated Group has achieved the Liquidity Requirement required under the Master Indenture for the most recent Fiscal Year for which audited financial statements are available (based on such audited financial statements) excluding contributions from the Foundation; and

(z) 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.

Prior to the date on which the Commitment is reduced to zero as set forth above, the Foundation will agree to hold, or cause its affiliates to hold an amount equal to the then-applicable amount of the Commitment in unrestricted cash and marketable securities, in accordance with the Foundation's investment policy. The Foundation will deliver to the Obligated Group Representative and the Master Trustee a certificate signed by a responsible officer of the Foundation, not later than 45 days following the end of each fiscal quarter, stating that the Foundation is in compliance with the requirements of this paragraph.

### **CERTAIN BONDHOLDERS' RISKS**

Set forth below are certain risk factors that should be considered before any investment in the Series 2019 Bonds is made. Certain risks are inherent in the successful operation of facilities such as the Facilities. This section discusses some of these risks, but is not intended to be a comprehensive list of all risks associated with the operation of the Facilities or the payment of the Series 2019 Bonds.

AN INVESTMENT IN THE SERIES 2019 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE PURCHASER OF THE SERIES 2019 BONDS IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "SECURITY FOR THE SERIES 2019 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2019 BONDS. THE FACTORS LISTED BELOW, AMONG OTHERS, COULD ADVERSELY AFFECT THE OBLIGATED GROUP'S OPERATION, REVENUES AND EXPENSES FOR THE FACILITIES TO AN EXTENT WHICH CANNOT BE DETERMINED AT THIS TIME.

**Risks of Real Estate Investment.** Ownership and operation of real estate, such as the Facilities, involves certain risks, including the risk of adverse changes in general economic and local conditions (such as the possible future oversupply and lagging demand for rental housing for the aged), adverse use of adjacent or neighboring real estate, community acceptance of the Facilities, increased competition from other senior living facilities, changes in the costs of operation, difficulties or restrictions in the Obligated Group's ability to raise fees charged, damage caused by adverse weather and delays in repairing such damage, population decreases, uninsured losses, failure of residents to pay rent, operating deficits and mortgage foreclosure, lack of attractiveness of the Facilities to residents, adverse changes in neighborhood values, and adverse changes in zoning laws, federal and local rent controls, other laws and regulations and real property tax rates. Such losses also include the possibility of fire or other casualty or condemnation. If the Facilities or any portion thereof becomes uninhabitable during restoration after damage or destruction, the residence units or common areas affected may not be available during the period of restoration, which could adversely affect the ability of the Obligated Group to generate sufficient revenues to pay debt service on the Series 2019 Bonds and the Master Note. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Facilities difficult or unattractive. These conditions may have an adverse effect on the demand for the services provided by the Facilities as well as the market price received in the event of a sale or foreclosure one or more of the Facilities. Certain other factors that cannot be determined at this time also may adversely affect the operation of the Facilities.

**General Risks of Long Term Care Facilities.** There are many diverse factors not within the Obligated Group's control that have a substantial bearing on the risks generally incident to the operation of its Facilities. These factors include regulatory imposed fiscal policies, adverse use of adjacent or neighboring real estate, the ability to maintain the Facilities, community acceptance of the Facilities, changes in demand for the Facilities, changes in the number of competing facilities, changes in the costs of operation of the Facilities, changes in the laws of the State of

New York affecting long term care programs, the limited income of the elderly, changes in the long term care and health care industries, difficulties in or restrictions on the Obligated Group's ability to raise rates charged, general economic conditions and the availability of working capital. In recent years, a number of long term care facilities throughout the United States have defaulted on various financing obligations or otherwise have failed to perform as originally expected. There can be no assurance the Obligated Group will not experience one or more of the adverse factors that caused other facilities to struggle or fail. Certain other factors that cannot be determined at this time also may adversely affect the operation of facilities like the Obligated Group's facilities.

**Uncertainty of Revenues.** The Series 2019 Bonds are payable from the revenues of the Issuer derived from the Obligated Group under the Loan Agreement, the Gross Revenues derived from the operation of the Facilities which are pledged pursuant to the Master Indenture, mortgage liens on the real and personal property comprising the Facilities and from the funds established under the Indenture (other than the Rebate Fund), the Master Indenture and the investment income thereon. Under certain circumstances, the Series 2019 Bonds may be payable from net proceeds of casualty insurance or condemnation awards. The availability of revenues from the Facilities in the amounts necessary to pay the principal or redemption price of and interest on the Series 2019 Bonds will be dependent on the maintenance of occupancy levels at the Facilities by eligible residents who will be able to pay, with respect to the CRIL Independent Living Units, the Entrance Fee and monthly service fees, with respect to the CRIL, CRA and CO independent living units, monthly lease payments or, with respect to assisted living or skilled nursing, the fees for such services (all of which are projected to increase on a regular basis in subsequent years) and the hiring and retention of competent administrative and operating personnel to conduct the day-to-day operations of the Facilities.

This depends to some extent on factors outside the Obligated Group's control, such as, in connection with the CRIL Independent Living Units, the residents' right to terminate their Residency Agreements in accordance with the terms of the Residency Agreements, or, in connection with the CRIL, CRA and CO independent living units, the residents' rights to terminate their leases, and by general economic and real estate conditions. In particular, a depressed housing market may prevent prospective residents from selling their homes and generating cash to pay lease payments or Entrance Fees. If the Facilities fail to achieve and maintain a high level of occupancy, there may be insufficient funds to pay debt service on the Series 2019 Bonds and any other outstanding indebtedness. In addition, the economic feasibility of the CRIL Independent Living Units and the CRIL, CRA and CO independent living units very much depends on CRIL's, CRA's and CO's ability to remarket or relet the units and collect another Entrance Fee or continue collecting lease payments when a unit becomes available when a Resident dies, withdraws, or is permanently transferred to a healthcare facility or any other facility.

The realization of future revenues and control of expenses is also dependent upon, among other things, successful marketing by the Obligated Group and future economic and other conditions which are unpredictable. Any of these factors may affect revenues and payment of debt service on the Series 2019 Bonds. No representation or assurance can be made that revenues will be realized by the Obligated Group from the Facilities in amounts sufficient to make the required payments with respect to debt service on the Series 2019 Bonds.

The Obligated Group may fail to meet the Historical Debt Service Coverage Ratio covenant or the Liquidity Requirement described above under "SECURITY FOR THE SERIES 2019 BONDS." Failure to meet such requirements will require the Obligated Group to prepare a management report or retain a Management Consultant to prepare a plan of corrective action as described under "SECURITY FOR THE SERIES 2019 BONDS." While these covenants are intended to require the Obligated Group to take corrective action in order to avert a payment default, no assurance can be given that such corrective actions, if required, will be successful.

If an Event of Default occurs under the Indenture or the Master Indenture, the Trustee may declare an acceleration or take any of the remedies provided in such document. Following acceleration, there may be no moneys in the funds held by the Trustee under the Indenture for payment of the Series 2019 Bonds. See Appendix D hereto for a description of the events of default and the remedies available to the Trustee under the Indenture and the Master Trustee under the Master Indenture.

**Construction Risks.** The 2019 Home Project is subject to the usual risks associated with construction projects, including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, labor disputes, shortages of materials and/or labor, transportation delays, restrictions related to

endangered species, adverse weather conditions, fire, casualties, acts of God, war, acts of public enemies, terrorism, orders of any kind of federal, state, county, city or local government, insurrections, riots, adverse conditions not reasonably anticipated or other causes beyond the control of the Obligated Group or its contractors. Such events could result in delays in substantial completion and occupancy of the Home's skilled nursing facility and thus the revenue flow therefrom. The Home has received a certificate of need (the "CON") from the Department of Health of the State of New York for the 2019 Home Project, but the CON is subject to certain contingencies that must be met prior to the commencement of construction in connection with the 2019 Home Project. The contingencies include the payment of a fee, the submission of the Limited Support Agreement and the Indenture and the submission of certain drawings. Any delay in the submission of these materials or in their approval by the State may result in delays with respect to the 2019 Home Project. All zoning, planning approvals and building permits that are required to be in hand given the present stage of the Facility have been obtained. As construction progresses on the 2019 Home Project, additional permits will be required, and the Home expects these permits to be issued in the ordinary course, but there can be no assurances that such permits will be issued when expected. Delays in the issuance of the remaining permits may result in construction delays. In addition, the marketing, substantial completion and occupancy of the Facility may be extended by reason of changes to construction plans authorized by the Home, delays due to acts or neglect of the Home, or by independent contractors employed by the Home. As noted in Appendix A, the contractor for the 2019 Home Project is not obligated to pay liquidated damages to the Home in the event of a failure to complete the 2019 Home Project on its intended schedule. Cost overruns could also result in the Home not having sufficient moneys to complete the 2019 Home Project, thereby materially affecting the receipt of revenues needed to pay the Series 2019 Bonds.

**Reliance on Foundation.** As shown in Appendix C, management of the Obligated Group forecasts that they will need to utilize support from the Foundation under the Limited Support Agreement. The Foundation will provide equity for the Project at the time of issuance of the Series 2019 Bonds, but it is also forecasted that the Foundation will need to provide funds in the future for working capital expenses of Members of the Obligated Group. Management's financial forecast is based upon assumptions made by management, and 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. Therefore, there can be no assurances that additional amounts will not be required from the Foundation (up to the amount of the Commitment as described herein). This Official Statement contains limited financial information with respect to the Foundation. As a result, in making an investment decision with respect to the Series 2019 Bonds, a potential holder of the Series 2019 Bonds can have no assurance, based on the information contained herein, that the Foundation will have the capability to meet its future obligations under the Limited Support Agreement.

**Failure to Achieve or Maintain Occupancy.** The economic feasibility of the Facilities depends in large part upon the ability of the Obligated Group to attract sufficient numbers of residents to the Facilities to maintain substantial occupancy and turnover of occupancy at the Facilities throughout the term of the Series 2019 Bonds. The Obligated Group's ability to maintain a high level of occupancy depends to some extent on factors outside its control, such as the right of the residents of the CRIL Independent Living Units to terminate their Residency Agreements at any time, subject to the conditions provided in the Residency Agreements, or the right of the residents of the CRIL, CRA or CO independent living units to terminate their leases as any time, subject to the conditions provided in such leases. If the Facilities fail to maintain a high level of occupancy, there may be insufficient funds to pay debt service on the Series 2019 Bonds.

#### **Risks Relating to Entrance Fees.**

CRIL's Facility consists of fifty-five (55) two-bedroom cottage homes that offer Entrance Fee and rental options. As of November 7, 2019, there are 27 units utilizing the Entrance Fee option and 27 units utilizing the rental option. There is one permanent model that is not being rented or sold. If a substantial number of the Entrance Fee residents live beyond the anticipated life expectancies assumed by CRIL, or if permanent transfers to facilities with a higher level of care are substantially less than assumed by CRIL, or if market changes require a reduction (or limit the rate of increase) in the amount of the Entrance Fees payable by new residents of the CRIL Independent Living Units, the amount of additional Entrance Fees would be reduced, with a consequent impairment of CRIL's, and subsequently the Obligated Group's, revenues. Such impairment would also result if CRIL are unable to remarket Independent Living Units becoming available when residents die, withdraw, or are permanently transferred to the nursing units.



Under certain circumstances, CRIL is obligated to refund a resident's Entrance Fee. The payment of such refunds could adversely affect the Obligated Group's ability to make payments required by the Loan Agreement and the Master Note. However, CRIL is not required to refund Entrance Fees until a new resident occupies an affected unit and collects a replacement Entrance Fee. See Appendix A hereto for more information about the Entrance Fees and refunds relating to the CRIL Independent Living Units.

### **Third Party Reimbursement.**

General. The health care industry, in general, is subject to regulation by a number of governmental agencies, including those which administer the Medicaid and Medicare programs, and other federal, state and local governmental agencies. As a result, the industry is sensitive to legislative changes in such programs and is affected by reductions in governmental spending for such programs. Congress has in the past enacted a number of provisions which affect health care providers, and additional legislative changes can be expected. Previous legislative actions have included limitation of payments to nursing homes under the Medicare and Medicaid programs. Additional legislation dealing with nursing home revenues could be introduced, and if enacted, such legislation might have an adverse impact upon the revenues of the Facilities.

The Home and the Heritage are certified as a provider of services under Title XVIII of the federal Social Security Act (Medicare) to receive payments for providing nursing care for Medicare eligible patients. Payments will be made directly to the Home and the Heritage for residents qualifying for Medicare on the basis of per diem rates. The Home and the Heritage are also Medicaid approved providers and the Facilities accept Medicaid residents based on a state statutory formula described further below.

Medicare. Medicare is a federal insurance program which, among other things, provides reimbursement for certain skilled nursing care in Medicare-certified facilities. A resident will qualify for Medicare reimbursement only if the resident's admission to the nursing home facility is immediately subsequent to the resident's three or more day stay at an acute care facility and the resident's condition meets Medicare's medical necessity criteria for skilled nursing care. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified post-hospital admission to a nursing home facility.

Medicare is administered by the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services ("CMS"). Medicare makes payment for skilled nursing services using a prospective payment system ("PPS") subject to certain cost limitations and services, whereby providers are compensated for providing care to Medicare beneficiaries based on an assessment of the resident. The assessment is based on a Resource Utilization Group ("RUG") system. Payment is made for up to 100 days of post-hospital extended care services. After the twentieth (20<sup>th</sup>) day of such services, the resident is responsible for a coinsurance amount. Extended care services include nursing care, accommodations, medical social services, and physical, occupational or speech therapy furnished by the Facilities or others under arrangements with the Facilities.

The Home and the Heritage have Medicare certification for their skilled nursing beds. The Medicare rate is based on the prospective rate, adjusted for the resident's acuity assessment.

CMS has published a major overhaul of regulations affecting long term care facilities with the most recent effective date as of November 28, 2019. Other future legislation, regulation or actions by the federal government are expected to continue the trend toward more restrictive limitations on reimbursement for long-term care services. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligated Group's financial performance cannot be determined at this time.

Medicare HMOs. Medicare allows Medicare beneficiaries to enroll in certain federally qualified health maintenance organizations and competitive health plans ("Medicare HMOs"). Medicare HMOs enter into contractual arrangements with providers, pursuant to which the HMO pays negotiated rates which may be less than standard Medicare payment rates. The Home and the Heritage have contracts in place with Medicare HMOs.

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

Medicaid. Medicaid is a federal health insurance program for low-income individuals and families that is funded jointly by the federal and state governments but administered by the states. Each state sets its own criteria governing patient eligibility, covered services and payment rates in conformity with federal minimum standards. The program is designed to pay providers for care given to the indigent and others who require federal aid.

The New York State Medicaid rate is based on two portions: the capital portion and the operating portion. The capital portion of the Medicaid rate reimburses nursing homes for allowable property costs including interest, depreciation and financing costs based upon the useful lives of assets, and certain other allowed property expenses. The operating portion of the price is based on allowable costs and is the sum of the direct price, indirect price and facility-specific non-comparable price. The direct and indirect prices are calculated based on a blend of a statewide price and a peer group price. There are two peer groups: (1) all non-specialty hospital-based facilities and non-specialty free standing facilities with certified bed capacities of 300 or more, and (2) non-specialty free standing facilities with certified bed capacities of less than 300 beds. The direct cost is subject to a case mix adjustment and wage index adjustment. The new case mix adjustment methodology also contains mechanisms to safeguard the integrity of case mix data reporting. If reported case mix data indicates a change in a facility's case mix of more than five percent, the payment adjustment associated with the change over five percent may be held, pending audit to verify the accuracy of the reported data. Facilities are required to formally certify to the accuracy of their case mix data reporting on a semi-annual annual basis. The indirect cost is subject to a wage index adjustment. Per-diem adjustments to the operating component of the rate include add-ons for bariatric, traumatic brain-injured extended care, and dementia residents; adjustments for the reporting of quality data; and transition payments. Nursing homes transitioned to the price over a five-year period (2012-2016), with prices fully implemented beginning in 2017.

In 2011, New York launched a Medicaid Redesign effort that includes a number of initiatives to curb spending and increase quality, one of which called for mandatory enrollment into managed long term care plans for (1) those in need of more than 120 days of community-based long term care, (2) dual eligible individuals over age 21 and (3) nursing home eligible individuals who are not also eligible for Medicare. In so doing, New York established a Medicaid Redesign Team ("MRT") to identify Medicaid savings; the MRT is comprised of 27 stakeholders representing most sectors of the State's health care delivery system, as well as patient advocates. In Phase 1, MRT made 79 recommendations for reforming and restructuring the program. The State Legislature approved 78 of those recommendations as part of the State's fiscal year 2011-12 enacted budget. Major recommendations included a global spending cap on the New York State Department of Health ("DOH") Medicaid expenditures, plans to transition most recipients and benefits into Medicaid managed care, reforming the personal care services program in New York City, controlling utilization of Medicaid home health services, and reducing Medicaid transportation costs, as well as spending re-estimates. Phases 2, 3 and 4, approved by the Legislature as part of the State's fiscal year 2012-13, 2013-14, and 2014-15 enacted budgets, respectively, implemented further reforms that included transitioning Medicaid administration from counties to the State, modifying Medicaid's basic benefit package, establishing dedicated funding for development of supportive housing for recipients, and developing the State's new Delivery System Reform Incentive Payment ("DSRIP") program.

In 2019, New York announced its plan to implement a new reimbursement rate for nursing homes. The new rates are based on the six-month average of nursing home care needs rather than the patient acuity levels on one day in January and one day in July of each year. Previously, the DOH assessed the Minimum Data Sets ("MDS") closest to the January and July dates in order to place patients into categories with associated case mix index rates. Then, the DOH calculated the average case mix index rate for each nursing home. However, under the new method, the DOH evaluated all MDS from August 8, 2018 through March 31, 2019 and determined a lower reimbursement rate. In October 2019, DOH informed nursing homes of the new reimbursement rate that would go into effect November 6, 2019, retroactive to July 1, 2019. The new rates will decrease Medicaid funding for New York nursing homes by approximately \$352 million in the aggregate. In response, more than 100 state and regional nursing homes, including the Home and the Heritage, filed a lawsuit against the DOH, challenging the proposed change to case-mix

index adjustments. On November 7, 2019 a preliminary injunction was issued prohibiting NYSDOH from implementing the adjusted nursing home Medicaid reimbursement rates and directing the NYSDOH to use the rates in effect as of June 30, 2019. See APPENDIX A- "CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP – Other Information - *Litigation.*"

Future state or federal legislation, regulation or actions by the state or federal government related to restrictive limitations on reimbursement for nursing home services is expected to continue. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligated Group's financial performance cannot be determined at this time.

**Managed Care and Private Pay.** Managed care organizations ("MCOs"), such as health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") enter into contractual arrangements with providers, pursuant to which the MCO pays negotiated rates. Each of the Home and the Heritage currently have contracts with a Medicare Advantage PPO.

Although the majority of the Obligated Group's Medicare revenues currently derive from HMO or PPO arrangements, the further transition of Medicare enrollees into Medicare managed care plans could have an adverse effect on the Obligated Group's revenues. There is frequent debate over the federal budget commitment to the Medicare program. Congress has consistently attempted to curb the growth of federal spending on healthcare programs, and this pressure to reduce spending is expected to increase as the United States population ages. To the extent that Medicaid and Medicare reimbursement continues to be reduced, managed care and private pay rates are expected to follow this trend.

**Limited Assets of the Obligated Group.** The sole businesses of the Obligated Group consist of the ownership and operation of the Facilities. Although they may seek donations from groups and individuals, the Obligated Group currently has limited sources of funds if Revenues from operation of the Facilities are not sufficient to cover expenses, including debt service on the Series 2019 Bonds and the Master Note.

**Utilization Demand.** Several factors could, if implemented, affect demand for services of the Facilities including: (i) efforts by insurers and governmental agencies to reduce utilization of long-term care facilities by such means as preventive medicine and home health care programs; (ii) advances in scientific and medical technology; (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 for the Facilities and (iv) increased or more effective competition from senior living communities now or hereafter located in the service area of the Facilities.

**Impact of Market Turmoil.** In recent years, economic turmoil has had and could in the future have negative repercussions upon the United States and global economies. To date, this turmoil has particularly impacted the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge and, in some cases, to cease operations. These events collectively led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies. At times, market conditions have adversely affected investment earnings and values and could adversely affect the value of the Obligated Group's investments and those of prospective residents, as well as future investment earnings. Further, sales of residential real estate have at times been negatively impacted. As a result, prospective residents of the CRIL Independent Living Units at times in the past have, and again in the future, could encounter difficulty in liquidating investments and selling homes in order to raise necessary cash to pay an Entrance Fees and the monthly service fees.

**Personnel.** Management of the Obligated Group believes that their respective salary and benefits packages are competitive with other comparable institutions in the respective areas in which the Obligated Group operates and that their respective employee relations are satisfactory. The health care industry has, at times, experienced a shortage of qualified nursing and other health care personnel. In addition, at times, markets for other staffing, such as housekeepers and maintenance staff can be competitive and result in staffing scarcity or increases compensation and benefits expense. The Obligated Group competes with other health care providers and with non-health care providers for both professional and nonprofessional employees. While the Obligated Group has been able to retain the services of an adequate number of qualified personnel to staff the Facilities appropriately and maintain their

standards of quality care, there can be no assurance that personnel shortages will not in the future affect their ability to attract and maintain an adequate staff of qualified health care personnel and could force the Obligated Group to employ temporary staff through employment agencies. A lack of qualified personnel could result in significant increases in labor costs or otherwise adversely affect its operating results.

**State Regulation, Rights of Residents.** The New York State Department of Health has issued an operating certificate for the Home's and the Heritage's nursing facility and has issued an Assisted Living Residence license to CRG for its assisted living units, as well as an enhanced assisted living license. None of the Members of the Obligated Group are licensed as a continuing care retirement community under Article 46 of the New York Public Health Law. However, the enactment of legislation restricting operation of life care or similar facilities creating additional residents' rights or requiring certain financial services could adversely affect the financial condition of the Obligated Group. CRIL enters into Residency Agreements with their respective residents. For more information about the Residency Agreements, see Appendix A hereto. Although the Residency Agreements give to each resident a contractual right to use space and not any ownership rights in the Independent Living Units, in the event that the Trustee or the holders of the Series 2019 Bonds seek to enforce any of the remedies provided by the Indenture upon the occurrence of a default or the Master Trustee seeks to enforce remedies under the Mortgage or the Master Indenture, it is impossible to predict the resolution that a court might make of competing claims among the Master Trustee, the Trustee, the Issuer or the holders of the Series 2019 Bonds and a resident of the Independent Living Units who has fully complied with all the terms and conditions of his or her Residency Agreement.

**Organized Resident Activity.** The Obligated Group may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of monthly service fees with respect to a Facility or other charges without increase. Moreover, the Members of the Obligated Group may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly service fees and other charges. No assurance can be given that the Members of the Obligated Group will be able satisfactorily to meet the needs of such resident groups.

**Increases of Medical Costs.** The cost of providing healthcare services may increase due to many reasons, including increasing regulation by the federal, state or local governments, increasing insurance costs and litigation, increases in salaries paid to nurses and other healthcare personnel and shortages in such personnel that may require the use of employment agencies or other temporary service providers. Any material increases in such costs may materially and adversely affect the ability of the Obligated Group to pay debt service on the Series 2019 Bonds and the Master Note.

**Labor Union Activity.** Employees at the Facilities are not presently subject to any collective bargaining agreements. There can be no assurance, however, that such employees will not seek to establish collective bargaining agreements, and if so established, such collective bargaining agreements could result in significantly increased labor costs to the Obligated Group and have an adverse effect on the financial condition of the Obligated Group.

**Tenant Protections.** CRIL, CRA and CO enter into leases of real property and as such the residents would be entitled to certain protection available to tenants under the laws of the State of New York. In addition, there is some degree of likelihood that the Residency Agreements for the CRIL Independent Living Units would be deemed to also constitute leases of real property under the laws of the State of New York and as such the residents would be entitled to certain protection available to tenants under the laws of the State of New York.

**Nature of the Income and Assets of the Elderly.** A large percentage of the monthly income of some residents of the Facilities will be fixed income derived from pensions and social security. In addition, some residents will be liquidating assets in order to pay rental payments or the monthly service fees required under the Residency Agreement. If, due to inflation or otherwise, substantial increases in rental payments or monthly service fees are required to cover increases in operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased rents or monthly service fees. Each Member of the Obligated Group conducts a financial analysis of each potential resident before executing a Residency Agreement, lease agreement or admissions agreement to determine the likely ability of the resident to meet the financial obligations to such Member of the Obligated Group, however, no assurance may be given that

future events, including life expectancy, will not result in residents encountering difficulty in paying rental payments, monthly service fees or daily fees.

**Professional Liability Claims and Losses.** The operations of the Obligated Group, and thereby of the Facilities, may also be affected by increases in the incidence of professional liability lawsuits against healthcare facilities in general, and increases in the dollar amount of patient damage recoveries, resulting in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. The Obligated Group covenants to maintain professional liability insurance in the amount required under the Loan Agreement, and the Obligated Group covenants in the Master Indenture to maintain professional liability insurance in amounts which are customary for similar institutions, which such insurance is required to be reviewed by an Insurance Consultant at least once every two fiscal years (or annually with respect to self-insurance programs). It is not possible at this time to determine either the extent to which such insurance coverage will continue to be available to the Obligated Group or the premiums at which such coverage can be obtained.

**Factors Affecting Real Estate Taxes.** None of the Members of the Obligated Group pay real estate taxes to the local tax authorities. However, there can be no assurances that such tax exemption will continue in full or in part throughout the term of the Series 2019 Bonds.

**Financial Assistance and Obligation to Residents.** CRIL, CRA and CO enter into Residency Agreements only with residents who they judge to be creditworthy. However, CRIL, CRA and CO can provide, but do not guarantee, financial assistance to residents unable to pay monthly service fees by reasons of circumstances beyond their control. CO, as an organization described in Section 501(c)(3) of the Code (an “Exempt Organization”), and CRIL and CRA, as disregarded entities of the Sole Member, an Exempt Organization, are required by applicable laws relating to their status as an Exempt Organization or a disregarded entity of an Exempt Organization to maintain a policy of generally not requiring residents to leave its facilities because of the inability to pay, and CRIL, CRA and CO do maintain such a policy. Such requirement and policy may require the Obligated Group in the future to provide increased financial assistance or absorb greater operating losses. There may be circumstances, however, under which the requirements for greater financial assistance may have a material adverse effect on the financial condition of the Obligated Group. However, in such a circumstance, the Obligated Group would work with the resident and their family members to formulate a safe discharge plan.

**Competition.** The Facilities are located in an area where other senior living, assisted living and nursing home facilities are currently operating. The Facilities may also face additional competition in the future as a result of changing demographic conditions and the construction of new senior living, assisted living and/or nursing facilities in the geographic area served by the Facilities. The Obligated Group will also face competition from other forms of retirement living, including condominiums, apartment buildings and facilities not specifically designed for the elderly, some of which may be designed to offer similar facilities but not necessary similar services, at lower prices. See “CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP – Service Area and Competition” in Appendix A hereto.

**Environmental Matters.** Health care and senior living 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 and senior living providers. Among the type of regulatory requirements faced by health care and senior living 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 their role as the owner and operator of properties or facilities, the Members of the Obligated Group may be subject to liability and practical, financial and legal risks for investigating and remedying any hazardous substances that may be located on its property or may have migrated on or off of its property. 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 Obligated Group will not encounter

such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

The Obligated Group has not secured any Phase I environmental assessments in connection with the issuance of the Series 2019 Bonds. However, at the present time, the Obligated Group is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the applicable Member of the Obligated Group, would have a material adverse effect on its operations or financial condition. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions are initiated, the Members of the Obligated Group could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the Facilities. In addition, under applicable environmental statutes, in the event an enforcement action was initiated, a lien superior to the Master Trustee's lien on behalf of the Bondholders could attach to the applicable Facility, which would adversely affect the Master Trustee's ability to realize value from the disposition of such Facility upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to a Facility under the Master Indenture, the Master Trustee would need to take into account the potential liability of any owner of such Facility, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

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

**Certain Matters Relating to Enforceability of Master Indenture.** The obligations of the Members of the Obligated Group under the Master Note will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Members of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including the Master Note pledged under the Indenture as security for the Series 2019 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 (i) 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; (ii) are requested to be made from any moneys or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future Member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to the Master Note cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not lent 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 Master Note may be voided by a trustee in bankruptcy in the event of bankruptcy of a Member of the Obligated Group, or by third-party creditors in an action brought pursuant to State fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under State fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or State fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to force an institution to pay debt service on an Obligation for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the institution is analogous to a guarantor of the debt of the institution who directly benefited from the borrowing and that sufficient consideration for the institution’s guaranty was not received and that the incurrence of such Obligation has rendered or will render the institution 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) provisions prohibiting the direct payment of amounts due to health care providers from Medicare and Medicaid programs to persons other than such providers; (ii) the absence of an express provision permitting assignment of receivables owed to a Member of the Obligated Group under its contracts, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (iii) 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 and other governmental programs; (iv) 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; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the Mortgage or the security interest in the Gross Revenues of the Obligated Group which are earned by the Obligated Group within ninety (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; (ix) rights of third parties in Gross Revenues converted to cash and not in the possession of the Master Trustee; and (x) claims that might arise if appropriate financing or continuation statements are not filed or other documents are not executed in accordance with the State Uniform Commercial Code as from time to time in effect. Under the Uniform Commercial Code, such security interest ceases to attach to proceeds of Gross Revenues, e.g., collections of accounts receivable which cannot be traced to a specific account of the Members of the Obligated Group or otherwise have ceased to be “identifiable cash proceeds.”

Pursuant to the Master Indenture, each Member of the Obligated Group that 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 Obligated Group as to enforceability of such covenant with respect to the required deposits.

While the Master Indenture provides for the admission of other entities to the Obligated Group under the conditions specified in the Master Indenture, there are no current plans to admit other entities to the Obligated Group.

**Bankruptcy.** The filing by, or against, the Members of the Obligated Group for relief under the United States Bankruptcy Code (the “Bankruptcy Code”) would have an adverse effect on the ability of the Trustee, the Master Trustee and Bondholders to enforce their claim or claims to the security granted by the Mortgage and the

Master Indenture, and their claim or claims to moneys owed them as unsecured claimants, if any. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Members of the Obligated Group and their property and as an automatic stay of any act or proceeding to enforce a lien against such property. Moreover, following such a filing the revenues and accounts receivable and other property of the Members of the Obligated Group acquired after the filing (and under some conditions prior to the filing) would not be subject to the liens and security interests created under the Mortgage and the Master Indenture absent a court order. In addition, the bankruptcy court has the power to issue any order, process or judgment that is necessary or appropriate to carry out the provisions of the Bankruptcy Code; such a court order could require that the property of the Obligated Group, including the Gross Revenues of the Obligated Group and proceeds thereof, be used for the benefit of the Obligated Group, despite the lien and security interest of the Master Trustee therein.

In a bankruptcy proceeding, the debtor could file a plan of reorganization which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The Bondholders may only receive post-petition interest on the Series 2019 Bonds to the extent the value of their security exceeds their claim. 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. More particularly, the Bankruptcy Code would permit the liquidation of the Members of the Obligated Group or the adoption of a reorganization plan for the Members of the Obligated Group even though such plan had not been accepted by (i) the holders of a majority in aggregate principal amount of the Series 2019 Bonds, if the plan is “fair and equitable” and does not discriminate unfairly against the Bondholders as a class and is in the “best interest of the creditors,” which may mean that the Bondholders are provided with the benefit of their original lien or the “indubitable equivalent”; or (ii) any holder of the Series 2019 Bonds if the Bondholders, as a class, are deemed unimpaired under the plan.

In addition, if the bankruptcy court concludes that the Bondholders have “adequate protection,” it may (1) substitute other security for the security subject to the lien of the Mortgage and the Master Indenture by granting a replacement lien on post-petition assets or (2) subordinate the lien of the Bondholders to persons who supply credit to the Members of the Obligated Group after commencement of the case. In the event of the bankruptcy of the Members of the Obligated Group, any amount realized by the Trustee or Bondholders may depend on the bankruptcy court’s interpretation of “indubitable equivalent” and “adequate protection” under the then existing circumstances. Any transfers made to the Bondholders or the Trustee at or prior to the commencement of the case may be avoided and recaptured if such transfers are (a) avoidable by a judicial lien creditor who obtained its lien on the date the case commenced (regardless of whether such a creditor actually exists), (b) preferential or fraudulent (as defined by the Bankruptcy Code) or (c) voidable under applicable law by any actual unsecured creditor. The Bondholders may also be subject to avoidance and recapture of any post-petition transfers, turnover of property of the debtor which they, the Trustee or a custodian hold and assumption, assignment or rejection of executory contracts.

**Pledge of Gross Revenues.** Certain interests and claims of others may be on a parity with or prior to the pledge of the Gross Revenues made in the Master Indenture, and certain statutes and other provisions may limit the Obligated Group’s right to make such pledges. Examples of such claims, interests and provisions are: (a) statutory liens and rights of set-off; (b) possible non-recognition under the New York Uniform Commercial Code of a security interest in future revenues; (c) rights arising in favor of the United States of America or any agency thereof on failure of the Obligated Group to comply with federal or state statutes regarding the assignment of certain claims; (d) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (e) state and federal bankruptcy or insolvency laws as they affect the enforceability of the security interest in Gross Revenues earned by the Obligated Group within the statutory prescribed preference period preceding and at any time after any effectual institution of bankruptcy proceedings by or against the Obligated Group; (f) as to those items in which a security interest, lien or pledge can be perfected only by possession, including items converted to cash, the rights of third parties in such items



not in the possession of the Obligated Group or any depository; (g) the security interest of third party creditors in “proceeds” of property subject to a Permitted Encumbrance, which “proceeds” may be deemed to constitute Gross Revenues; (h) items not in possession of the Trustee, the Master Trustee or any depository, the records to which are located or moved outside the State, which are thereby not subject to or are removed from the operation of the State’s laws; (i) claims that might arise if appropriate continuation statements are not filed in accordance with the New York Uniform Commercial Code as from time to time in effect. In addition, the pledge of the Gross Revenues may not be enforceable against third parties unless the Gross Revenues are actually transferred to the Trustee, the Master Trustee or any depository.

In addition, cash held by the Obligated Group may not be subject to any perfectible security interest under the Uniform Commercial Code (“UCC”). The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with the sale to the Obligated Group of such item. The lien on certain other pledged assets may not be enforceable against third parties unless such other pledged assets are transferred and delivered to the Master Trustee (which transfer the Obligated Group is not required by the Master Indenture to make prior to a default thereunder and which transfer may be set aside if it occurs within 90 days of the filing of a petition of bankruptcy), is subject to exception under the UCC and may be lost if the proceeds are commingled or expended by the Obligated Group. In addition, the federal government restricts the assignment of rights arising out of Medicare, Medicaid and other federal programs. No opinion will be expressed by counsel to the Obligated Group as to the perfection of any security interest in the assignment of such rights.

**Title Policy.** The lien of each Mortgage will be insured by a title insurance policy which will total, in the aggregate, an amount equal to the principal amount of the Series 2019 Bonds; provided, however, that, on the date of issuance of the Series 2019 Bonds, the policies will be in the amount of the initial requisition of proceeds of the Series 2019 Bonds and the policy insuring the Mortgage and Security Agreement (Building Loan) will increase over the construction period with respect to the 2019 Home Project as proceeds are requisitioned for the 2019 Home Project. Any requisition submitted to the Trustee for costs of the 2019 Home Project is required to be accompanied by a notice of title continuation and date down endorsement to the title insurance policy (i) indicating that since the date of the last preceding requisition, there has been no change in the state of title other than Permitted Encumbrances, (ii) updating the date of the mechanic’s lien coverage of such title insurance policy to the date of such requisition, and (iii) updating the amount of insurance for mechanic’s lien claims in connection with such title insurance policy for the amount of such requisition.

**Limited Use Facility.** The Facilities have been specially designed as a senior living communities or nursing homes. As a result, in the event of default and eviction of the Obligated Group from the Facilities through foreclosure or otherwise, the Master Trustee’s and the Trustee’s remedies and the number of entities which would be interested in purchasing the Facilities might be limited, and the sales price generated by the Facilities might thus be adversely affected.

**Additional Debt.** The Master Indenture permits the Obligated Group to incur additional indebtedness which may be equally and ratably secured with the Series 2019 Bonds. See Appendix D – “FORMS OF THE PRINCIPAL DOCUMENTS – THE MASTER INDENTURE.” Any such additional parity indebtedness would be entitled to share ratably with the holders of the Series 2019 Bonds in any moneys realized from the exercise of remedies in the event of a default by the Obligated Group and in the proceeds of certain insurance and condemnation awards.

**Tax Reform.** In December 2017, President Trump signed into law “H.R. 1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” (the “Tax Cuts and Jobs Act”). The Tax Cuts and Jobs Act lowered corporate and individual tax rates and eliminated certain tax preferences and other tax expenditures. The Tax Cuts and Jobs Act also repealed, effective January 1, 2019, a key provision of the Affordable Care Act known as the “individual mandate”, which imposes a tax on individuals who do not obtain health insurance. Such repeal of the individual mandate may result in a higher uninsured rate, which may adversely affect the financial condition of the Obligated Group. The Tax Cuts and Jobs Act also eliminates the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds. This could materially impact the market price or marketability of the Series 2019 Bonds (and outstanding bonds issued by and on behalf of the Obligated Group) and/or availability of borrowed funds for the Obligated Group Members,

particularly for capital expenditures, as well as the operations, financial position and cash flows of the Obligated Group.

**Healthcare Reform.** In recent years, the U.S. Congress and certain state governments have enacted a number of measures designed to make major changes in the healthcare system. The most prominent of these efforts is the enactment of the Patient Protection and Affordable Care Act (the “Affordable Care Act”), which has and will continue to affect how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, and the establishment of programs where reimbursement is tied to quality and integration.

Several attempts to amend and repeal provisions of the Affordable Care Act have been made since its passage. While previous attempts to amend and repeal the Affordable Care Act have not been successful, the future of the Affordable Care Act is uncertain. President Trump and certain Congressional leaders have included a repeal of all or a portion of the Affordable Care Act in their respective legislative agendas. Congress has introduced several bills to repeal and replace the Affordable Care Act. As of the date of this Official Statement, the legislature has failed to pass any legislative proposals to “repeal and replace” or “repeal only” the Affordable Care Act. The only successful repeal of the Affordable Care Act has been the repeal of the “individual mandate” in the Tax Cuts and Jobs Act. The repeal of this mandate has removed the tax penalty for those who do not have health insurance as originally proscribed in the Affordable Care Act. Since this repeal there is current pending litigation based on the repeal of the individual mandate that aims to repeal the Affordable Care Act in its entirety. *Texas v. United States of America*, 340 F. Supp. 3d 579 (2018), was filed by Attorneys General from 18 states, initiated to enjoin the enforcement of the Affordable Care Act. On Friday, December 14, 2018, a federal district court judge in Texas ruled that the entire Affordable Care Act was unconstitutional by determining that the “individual mandate” is no longer a tax and therefore an unconstitutional exercise of congressional authority. The district court judge also found that the individual mandate was not severable from the rest of the Affordable Care Act, which makes the entire Affordable Care Act unconstitutional. The case has been appealed to the Fifth Circuit U.S. Court of Appeals. On May 1, 2019, the Trump administration filed a brief in support of the district court ruling. Oral arguments were heard on July 9, 2019. The Obligated Group cannot predict whether these efforts will be successful.

The Affordable Care Act, as originally structured, required most U.S. citizens and legal residents to have health insurance, provided for the creation of health benefit exchanges (“Exchanges”) to facilitate the purchase of health insurance by individuals and small employers and a tax credit system to help the uninsured purchase coverage, requires employers to either provide health insurance or pay tax penalties for employees that receive tax credits, imposes new regulations on health plans and gives states the option to expand their Medicaid programs. However, the Tax Cuts and Jobs Act removed the individual mandate, which imposed a tax penalty on individuals who failed to obtain health insurance. It remains to be seen what impact this will have on certain elements of the Affordable Care Act and what impact, if any, it will have on the Obligated Group. The Affordable Care Act also imposes additional compliance and regulatory requirements on healthcare providers, some of which may adversely impact Medicare reimbursement for the Obligated Group.

*Program Integrity and Fraud and Abuse.* The Affordable Care Act makes several significant changes to healthcare fraud and abuse laws, provides additional enforcement tools to the government, increases cooperation between agencies by establishing mechanisms for the sharing of information and enhances criminal and administrative penalties for non-compliance. For example, the Affordable Care Act: (1) provides \$350 million in increased federal funding over 10 years to fight healthcare fraud, waste and abuse, (2) expands the scope of the Medicare Recovery Audit Contractor (“RAC”) program to include Medicare Advantage plans and Medicaid, (3) authorizes the U.S Department of Health & Human Services (“HHS”), in consultation with the Office of Inspector General (“OIG”), to suspend Medicare and Medicaid payments to a provider of services or a supplier “pending an investigation of a credible allegation of fraud,” (4) provides Medicare contractors with additional flexibility to conduct random prepayment reviews, and (5) established stricter rules for returning overpayments made by governmental health programs and expands the False Claims Act (the “FCA”) liability to include failure to timely repay identified overpayments.

*Impact of Affordable Care Act on the Obligated Group.* Higher levels of health insurance coverage under the Affordable Care Act may benefit the Obligated Group by increasing the number of potential patients who have

either private or public program coverage; though, the repeal of the individual mandate makes this potential benefit less likely. However, any positive effects of the Affordable Care Act could be offset and the Obligated Group could be significantly impacted by reductions to the Medicare and Medicaid programs. Substantial uncertainty remains regarding the net effect of the Affordable Care Act on the Obligated Group because of uncertainty surrounding a number of material factors, including the following (a) uncertainty regarding whether, when, and how Congress will repeal, amend or replace the Affordable Care Act, (b) the impact of court challenges, new regulations or interpretive guidance, and efforts to repeal or revise the Affordable Care Act, (c) the success and long-term viability of the Exchanges, which may be impacted by whether a sufficient number of payors participate in the exchanges, (d) whether insurance coverage continues to expand, including the pace of different types of coverage expansion, (e) the rates paid to healthcare providers by governmental and private payors, (f) the effect of the value-based purchasing initiatives on revenues and the effects of other quality programs and (g) the percentage of individuals who select high deductible plans, since health insurers offering those kinds of products have traditionally sought to pay lower rates to healthcare providers. Because of the many variables involved, the Obligated Group is unable to predict the net effect of the Affordable Care Act and other health reform on its business.

**Licensure, Certification and Accreditation.** Healthcare facility operations are subject to numerous federal, state and local regulations relating to the adequacy of medical care, equipment, personnel, operating policies and procedures, maintenance of adequate records, fire prevention, rate-setting and compliance with building codes and environmental protection laws. Facilities are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensure and accreditation. The requirements for licensure, certification and accreditation are subject to change and, in order to remain qualified, it may become necessary for the Members of the Obligated Group to make changes in their respective Facilities, equipment, personnel and services. The requirements for licensure also may include notification or approval in the event of the transfer or change of ownership. Failure to obtain the necessary state approval in these circumstances can result in the inability to complete an acquisition or change of ownership.

**Fraud and Abuse Laws and Regulations.** The healthcare industry is heavily regulated, particularly in the context of the Medicare programs. Violation of prohibitions related to improper inducements and payments, prohibited physician referrals, and illegal kickbacks may result in civil and/or criminal sanctions and penalties and may give rise to liability under the FCA. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the Medicare programs. Pursuant to the Bipartisan Budget Act of 2015, civil monetary penalties, including those imposed under the Anti-Kickback Statute, FCA and the Stark Law and other laws were increased significantly in 2016, were further increased in 2017, 2018 and 2019. These penalties will continue to be adjusted annually based on updates to the consumer price index.

*The Anti-Kickback Statute.* A section of the Social Security Act known as the “Anti-Kickback Statute” prohibits providers and others from offering, paying, soliciting or receiving, directly or indirectly, remuneration with the intent to induce or reward referrals or orders for services for which reimbursement is provided under the Medicare, Medicaid, or other federal healthcare programs. Courts have interpreted this law broadly and held that the Anti-Kickback Statute is violated if just one purpose of the remuneration is to generate or induce referrals, even if there are other lawful purposes. The Affordable Care Act further provides that knowledge of the law or intent to violate the law is not required to establish a violation of the Anti-Kickback Statute. The Anti-Kickback Statute contains a limited number of exceptions, and the HHS OIG has published regulations that set forth certain “safe harbor” arrangements that will not be deemed to constitute violations of the Anti-Kickback Statute. The statutory exceptions and regulatory safe harbors are narrow and do not cover a wide range of economic relationships that many healthcare providers consider to be legitimate business arrangements not prohibited by the statute. The fact that conduct or a business arrangement does not fall within a safe harbor does not automatically render the conduct or business arrangement illegal under the Anti-Kickback Statute. The conduct or business arrangement, however, does risk increased scrutiny by government enforcement authorities. For further guidance, providers may seek an Advisory Opinion from the OIG regarding the proposed arrangement.

Violation of the Anti-Kickback Statute is a felony and may be punished by a criminal fine of up to \$100,000 for each violation or imprisonment of up to ten (10) years per violation, or both. Additionally, violation of the Anti-Kickback Statute could result in civil money penalties of up to \$100,000 per violation, after taking into account 2018 updates, damages of up to three times the total amount of the remuneration, and exclusion from participation in federal healthcare programs, including Medicare and Medicaid. These civil monetary penalties will

be updated annually based on changes to the consumer price index. In addition, submission of a claim for services or items generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim and may be subject to additional penalties under the FCA.

*Stark Law.* The federal physician self-referral law (the “Stark Law”) prohibits a physician (or an immediate family member of such physician) with a financial relationship, direct or indirect, with an entity from referring a patient to such entity for the furnishing of certain “designated health services” which are paid for, in whole or in part, by the Medicare or Medicaid programs. The Stark Law further prohibits the entity receiving such prohibited referrals from presenting or causing to be presented a claim for payment under the Medicare and Medicaid programs for designated health services furnished pursuant to a prohibited referral. The designated health services currently subject to these prohibitions include clinical laboratory services, certain nuclear medicine services, physical therapy services, occupational therapy services, speech-language pathology services, radiology and certain other imaging services (including magnetic resonance imaging, computerized axial tomography scans and ultrasound), radiation therapy services and supplies, durable medical equipment and supplies, parental and enteral nutrients equipment and supplies, orthotics, prosthetics and prosthetic devices and supplies, home health services, outpatient prescription drugs (including all drugs covered by Medicare Parts B and D) and inpatient and outpatient hospital services. Many states have similar statutes. However, the various state statutes often differ as to patients covered (e.g., the New York statute covers all patients irrespective of payor) and the list of designated health services included within the respective laws’ reach.

Like the Anti-Kickback Statute, failure to comply with the Stark Law can result in liability in connection with a wide variety of business transactions. Violation of the Stark Law requires the entity to refund any payments received as a result of a violation of the Stark Law, and may result in significant and material civil monetary penalties of up to \$15,000 for each self-referred service and exclusion from participation in federal health care programs, including Medicare and other programs, even if the transaction has other wholly legitimate business purposes. Unlike the Anti-Kickback Statute, the Stark Law is a strict liability statute. If a financial relationship exists which does not fit within an applicable exception, referrals by a physician for designated health services will be deemed to violate the Stark Law. Both the referral and submission of a claim will violate the Stark Law and expose the individual parties to significant fines and penalties.

Sanctions could be applied in many situations where skilled nursing facilities participate in joint ventures with entities which may be in a position to make or influence referrals or to whom skilled nursing facilities may be in a position to make or influence referrals, enter into personal service and management contracts, enter into space and equipment rental agreements, waive co-payments and deductibles, etc. Such sanctions could result in a material adverse effect on the financial position of the Obligated Group, exclusion from Medicare, Medicaid, and/or any federal and/or state health care programs, loss of license or disciplinary action by licensing agencies, and/or substantial civil monetary penalties.

Violations of the Anti-Kickback Statute and Stark Laws can also have collateral consequences. For example, submission of claims for reimbursement by federal health care programs that are in violation of the Anti-Kickback Statute or Stark Laws may implicate the Federal False Claims Act, described below.

*The False Claims Act.* The qui tam, or whistleblower, provisions of FCA allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the federal government. Further, the government may use the FCA to prosecute Medicare and other government program fraud in areas such as coding errors, billing for services not provided and submitting false cost reports. When a private party brings a qui tam action under the FCA, the defendant often is not made aware of the lawsuit until the government commences its own investigation or makes a determination whether it will intervene. If a defendant is determined by a court of law to be liable under the FCA, the defendant may be required to pay three times the actual damages sustained by the government, plus mandatory civil penalties of between \$11,463 and \$22,927 for each separate false claim, after taking into account the 2019 updates to such penalties. These civil monetary penalties will be adjusted annually based on updates to the consumer price index.

Liability often arises when an entity knowingly submits a false claim for reimbursement to the federal government. The FCA defines the term “knowingly” broadly. Though simple negligence will not give rise to liability under the FCA, submitting a claim with reckless disregard to its truth or falsity constitutes a “knowing”

submission under the FCA and, therefore, may create liability. Among the many other potential bases for liability under the FCA is the knowing and improper failure to report and refund amounts owed to the government in a timely manner following identification of an overpayment. An overpayment is deemed to be identified when a person has, or should have through reasonable diligence, determined that an overpayment was received and quantified the overpayment. The Affordable Care Act provides that submission of claims for services or items generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim under the FCA. In some cases, whistleblowers and the federal government have taken the position, and some courts have held, that providers who allegedly have violated other statutes, such as the Stark Law, have thereby submitted false claims under the FCA. The Affordable Care Act also expands the scope of the FCA to cover payments in connection with the health insurance exchanges to be created by the Affordable Care Act, if those payments include any federal funds.

*The Civil Monetary Penalty Law.* The federal Civil Monetary Penalty Law (“CMPL”) provides for administrative sanctions against healthcare providers for a broad range of billing and other abuses. Federal and state governments increasingly use this law, as it requires a lower burden of proof than some other fraud and abuse laws, such as the Anti-Kickback Statute. A healthcare provider is liable under the CMPL if it knowingly presents, or causes to be presented, improper claims for reimbursement, including for example, unbundling of hospital outpatient services from under Medicare or Medicaid coverage. A hospital that pays a physician to limit or reduce services to Medicare fee-for-service beneficiaries may also be subject to CMPL penalties which, as described above, increased by up to 150% by August 1, 2016 and annually thereafter. Civil monetary penalties that may be imposed under the CMPL range up to \$100,000 per act, after taking into account 2018 updates, and in some cases may result in penalties of up to three times the remuneration offered, paid, solicited or received. Further, individuals can receive up to \$1,000 for providing information on Medicare fraud and abuse that leads to the recovery of at least \$100 of Medicare funds under the Medicare Integrity Program. The Obligated Group intends to comply in all material respects with the CMPL, but billing and other regulations are complex, and there can be no assurances that the regulatory authorities that enforce the law will not find Members to have violated the law. In the event of a violation, any sanction imposed could have a material adverse effect on the operations of the Obligated Group, the financial condition of the Obligated Group, or the status, of its Members as Exempt Organizations.

**Health Insurance Portability and Accountability Act.** 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 the Health Insurance Portability and Accountability Act (“HIPAA”) set forth standards protecting the privacy and security of individually identifiable health information. Regulations promulgated pursuant to HIPAA require covered entities, including health plans and most healthcare providers, to implement administrative, physical and technical safeguards to protect the security of such information. In addition, business associates of covered entities are directly liable under the HIPAA privacy and security regulations.

HHS has established electronic data transmission standards that all healthcare providers must use when submitting or receiving certain healthcare transactions electronically. Furthermore, as required by the Affordable Care Act, HHS is in the process of adopting standards for additional electronic transactions and to establish operating rules to promote uniformity in the implementation of each standardized electronic transaction.

Covered entities are required to report breaches of unsecured protected health information to affected individuals, without unreasonable delay, but not to exceed 60 days of discovery of the breach by a covered entity or its agents. Covered entities must also notify HHS, and for larger breaches, the media. HHS conducts periodic HIPAA compliance audits to ensure that covered entities and business associates are complying with HIPAA.

HIPAA provides for criminal penalties including one year in prison for obtaining or disclosing protected health information, up to five (5) years in prison for obtaining protected health information under “false pretenses”, and up to ten (10) 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. State attorneys general may bring civil actions seeking either an injunction or damages in response to violations of HIPAA privacy and security regulations that threaten state residents. HHS may resolve HIPAA violations through informal means, such as development of a corrective action plan, but has the discretion to impose monetary penalties and is required to impose such penalties for violations resulting from willful neglect. Violations of the HIPAA privacy and security regulations may result in criminal penalties and civil penalties of up to \$57,910 per violation for a maximum penalty of \$1,711,533 in a calendar year for violations of the same requirement, after taking into account 2018 updates. These civil monetary

penalties will be adjusted annually based on updates to the consumer price index. In addition to HIPAA, there are numerous other laws and regulations at the federal and state levels addressing privacy and security concerns. The Facilities will continue to remain subject to any federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These laws vary and could impose additional penalties.

**Healthcare Industry Investigations.** Both federal and state regulatory agencies maintain investigation programs of hospitals and other healthcare providers relative to compliance with applicable laws. Significant media and public attention has focused in recent years on the healthcare industry. It is possible that governmental entities could initiate investigations or litigation in the future at facilities operated by Members of the Obligated Group, potentially resulting in significant penalties as well as adverse publicity. It is also possible that the executives and managers of Members of the Obligated Group could be included in governmental investigations or litigation or named as defendants in private litigation. Because the law in this area is complex and constantly evolving, governmental investigations or litigation may result in interpretations that are inconsistent with industry practices, including the Members' practices. In public statements surrounding current investigations, governmental authorities have taken positions on a number of issues, including some for which little official interpretation previously has been available, that appear to be inconsistent with practices that have been common within the industry and that previously have not been challenged in this manner. In some instances, government investigations that have in the past been conducted under the civil provisions of federal law may now be conducted as criminal investigations. Both federal and state government agencies have increased their focus on and coordination of civil and criminal enforcement efforts in the healthcare area. The OIG and the U.S. Department of Justice have, from time to time, established national enforcement initiatives targeting all hospital providers that focus on specific billing practices or other suspected areas of abuse.

The Affordable Care Act allocates \$350 million of additional federal funding over 10 years to fight healthcare fraud, waste and abuse. In addition, governmental agencies and their agents may conduct audits of the Obligated Group's healthcare operations. Private payors may conduct similar audits, and the Obligated Group will also perform internal audits and monitoring.

**Management's Forecast.** Management's financial forecast contained in the Feasibility Study included in Appendix C hereto is based upon assumptions made by management of the Obligated Group. As stated in the Feasibility Study, 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 four years ending December 31, 2019 through December 31, 2022, and consequently does not cover the whole period during which the Series 2019 Bonds may be outstanding. See the Feasibility Study included herein as Appendix C, which should be read in its entirety, including management's notes and assumptions set forth therein.

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 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, FAILURE BY MANAGEMENT TO IMPLEMENT ITS PLANS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN RETIREMENT LIVING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

**Accounting Changes.** From time to time, accounting policies and procedures change based upon mandatory authoritative guidance updates to generally accepted accounting principles in the United States of America. Such changes may cause a variation in the presentation of the financial information of the Obligated Group. There can be no assurance that any such changes would not have an adverse impact on the Obligated Group's financial statements.

**Uncertainty of Investment Income.** A portion of the Obligated Group's Revenues available to pay debt service is expected to come from investment income and net realized gains on the investment of available funds. The amount of such interest earnings and gains will fluctuate with changes in prevailing interest rates and financial

market conditions. See “CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP” – Service Area and Competition” in Appendix A hereto and “CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF ST. ANN’S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES” in Appendix B hereto for more information about the Obligated Group’s investments.

**No Credit Rating.** The Series 2019 Bonds have not been rated by any credit rating agency. Consequently, holders of the Series 2019 Bonds may not be able to liquidate their investment readily, or liquidate it at an attractive price.

**Secondary Market.** It is the present practice of the Underwriter to make a secondary market in the bond issues it offers. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, these secondary marketing practices in connection with a particular bond issue are suspended or terminated. In addition, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially lower than the original purchase price. While there can be no guarantee or assurance that the Underwriter will always continue its present secondary marketing practices, the Underwriter presently intends to make a secondary market in the Series 2019 Bonds, subject to the foregoing limitations. Nevertheless, there can be no guarantee that there will be a secondary market for the Series 2019 Bonds or, if a secondary market exists, that the Series 2019 Bonds can be sold for any particular price. Any prospective purchaser of the Series 2019 Bonds should therefore undertake an independent investigation through its own advisors regarding the desirability and practicality of the investment in the Series 2019 Bonds. Any prospective purchaser should be fully aware of the long-term nature of an investment in the Series 2019 Bonds and should assume that it will have to bear the economic risk of its investment indefinitely. Any prospective purchaser of the Series 2019 Bonds that does not intend or that is not able to hold the Series 2019 Bonds for a substantial period of time is advised against investing in the Series 2019 Bonds.

**Risk of Early Redemption.** There are a number of circumstances under which all or a portion of the Series 2019 Bonds may be redeemed prior to their stated maturity. For a description of the circumstances in which Series 2019 Bonds may be redeemed and the terms of redemption, see “THE SERIES 2019 BONDS” above.

**Risk of Loss Upon Redemption.** The rights of Beneficial Owners to receive interest on the Series 2019 Bonds will terminate on the date, if any, on which such Series 2019 Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture, and interest on such Series 2019 Bonds will no longer accrue on and after such date of redemption to the extent funds are available for the payment of the redemption price of such Series 2019 Bonds. In addition, there can be no guarantee that present provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the Series 2019 Bonds taxable for federal income tax purposes. Interest earned on the principal amount of the Series 2019 Bonds may or may not be subject to state or local income taxes under applicable state or local tax laws. Each prospective purchaser of the Series 2019 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2019 Bonds in a particular state or local jurisdiction.

### **Federal Tax Matters**

*Possible Changes in the Obligated Group’s Tax Status.* The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Obligated Group of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Obligated Group and thereby the Revenues of the Obligated Group. The Home, the Heritage, the Sole Member and CO have each obtained a letter from the IRS determining it is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). As an exempt organization, each such Member of the Obligated Group is subject to a number of requirements affecting its operation. The failure of such Members of the Obligated Group to remain qualified as exempt organizations would affect the funds available to the Obligated Group for payments to be made under the Loan Agreement. In addition, CRIL, CRA and CRG are disregarded entities of an exempt organization. The failure of such Members of the Obligated Group to remain disregarded entities of exempt organizations would affect the funds available to the Obligated Group for payments to be made under the Loan Agreement. Failure of the Obligated Group 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 Series 2019 Bond proceeds, could cause interest on the Series 2019 Bonds to be included in the gross

income of Bondholders or former Bondholders for federal income tax purposes retroactive to the date of issue of the Series 2019 Bonds. It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of charitable organizations. There can be, 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 Obligated Group by requiring it to pay income taxes.

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

*Bond Audit.* The Series 2019 Bonds may be subject to audit, from time to time, by the IRS. The Obligated Group believes that the Series 2019 Bonds properly comply with applicable tax laws and regulations. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2019 Bonds, as described under the heading “TAX MATTERS.” No ruling with respect to the tax-exempt status of the Series 2019 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts, and are not guarantees. There can be no assurance, therefore, that an audit of the Series 2019 Bonds will not adversely affect the tax-exempt status of the Series 2019 Bonds.

*Other Tax Status Issues.* The IRS has also issued revenue rulings dealing specifically with the manner in which a facility providing residential services to the elderly must operate in order to be considered an Exempt Organization. Revenue Rulings 61-72 and 72-124 hold that, if otherwise qualified, a facility providing residential services to the elderly is exempt under Section 501(c)(3) if the organization (1) is dedicated to providing, and in fact provides or otherwise makes available services for, care and housing to aged individuals who otherwise would be unable to provide for themselves without hardship, (2) to the extent of its financial ability, renders services to all or a reasonable proportion of its residents at substantially below actual cost, and (3) renders services that minister to the needs of the elderly and relieve hardship or distress. Revenue Ruling 79-18 holds that a facility providing residential services to the elderly may admit only those tenants who are able to pay full rental charges, provided that those charges are set at a level that is within the financial reach of a significant segment of the facilities elderly persons, and that the organization is committed by established policy to maintaining persons as residents, even if they become unable to pay the monthly charges after being admitted to the Facility.

*Other Legislation.* Section 7872 of the Code (Treatment of Loans with Below Market Interest Rates), provides for, in certain circumstances, the imputation of interest income to a lender when the rate of interest charged by the lender is below prevailing market rates (as determined under a formula) or, even if the below market interest rate loan would otherwise be exempt from the provisions of Section 7872, when one of the principal purposes for such below market rate loan is the avoidance of federal income taxation. A refundable entrance fee payment made by a resident to certain senior living facilities has been determined under Section 7872 to constitute a below market interest rate loan by the resident to the senior living facility owner or operator to the extent that the resident is not receiving a market rate of interest on the refundable portion of the entrance fee. Section 7872(h) provides a “safe harbor” exemption for certain types of refundable entrance fees. The statutory language of Section 7872 does not permit a conclusive determination as to whether the Residency Agreements come within the scope of the continuing care facility safe harbor or within the statute itself.

Provided the Residency Agreements fall within the scope of Section 7872, the safe harbor exemption under Section 7872(h) is applicable (i) if such loan was made pursuant to a continuing care contract, (ii) if the resident (or the resident’s spouse) has attained age 62 before the close of the year and (iii) irrespective of the amount of the



“loan” by the resident (or the resident’s spouse) to the continuing care facility. Section 425 of the Tax Relief and Health Care Act of 2006 amended Section 7872(h) to make the exemption for loans to qualifying care facilities permanent. Any determination of applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Independent Living Units.

In recent years, the IRS and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and of retirement communities in particular. Legislation has been previously introduced restricting the ability of such organizations to utilize tax-exempt bonds unless they maintain a required percentage of low to moderate income residents. Although the Members of the Obligated Group that are organizations described in Section 501(c)(3) of the Code have covenanted to take all appropriate measures to maintain such tax-exempt status, compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Obligated Group to charge and collect Revenues at the level required by the Master Indenture, finance or refinance indebtedness on a tax-exempt basis or otherwise generate Revenues necessary to provide for payment of the Series 2019 Bonds.

*Proposed Income Tax Law Changes.* Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 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 at various times which, if enacted, would have either limited the exclusion from gross income of interest on obligations like the Series 2019 Bonds to some extent for certain individual taxpayers, or eliminated the federal income tax exemption for interest on new obligations like the Series 2019 Bonds. 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 Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

*Post-Issuance Compliance.* The IRS is increasing its surveillance of post issuance compliance by entities issuing tax-exempt bonds. Tax-exempt bonds such as the Series 2019 Bonds are subject to certain federal tax requirements at the time of issuance and while the Series 2019 Bonds remain outstanding. Failure of the Issuer or the Obligated Group to comply with such requirements threatens the tax-exempt status of the interest on the Series 2019 Bonds for federal income tax purposes. For example, federal arbitrage rules require monitoring over the life of the Series 2019 Bonds to ensure that the yield on investments acquired with proceeds of the Series 2019 Bonds are properly restricted and whether the Obligated Group must pay yield reduction and/or rebate payments. Given such requirements, issuers and borrowers must actively monitor compliance while bonds are outstanding to improve their ability to identify, avoid, and/or correct noncompliance that may threaten the tax-exempt status of bonds. If a violation does occur, and post issuance compliance standards have been met, an issuer will generally receive more favorable resolution terms under the IRS Voluntary Closing Agreement Program, which assists issuers and borrowers in resolving federal tax violations related to their tax-exempt bonds.

**Other Possible Risk Factors.** The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Obligated Group:

- (1) Inability to control increases in operating costs and other medical 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 Members 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 market area of the Obligated Group;

- (5) The cost and availability of energy which could, among other things, affect the cost of utilities of the Facilities;
- (6) Increased unemployment or other adverse economic conditions in the service areas of the Members 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 Facilities in order to maintain the charitable status of Members 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, retirement benefits and other services to the elderly;
- (11) 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;
- (12) The occurrence of natural disasters, including floods and earthquakes, which may damage the Facilities, interrupt utility service to the Facilities, or otherwise impair the operation and generation of Revenues from said Facilities;
- (13) Scientific and technological advances that could reduce demand for services offered by the 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 Members of the Obligated Group generally carry.

## **LITIGATION**

### **The Issuer**

There is not now pending against the Issuer any litigation restraining or enjoining the issuance or delivery of the Series 2019 Bonds, or questioning or affecting the validity of the Series 2019 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices, is being contested or questioned. There is no litigation pending against the Issuer which in any manner questions the right of the Issuer to enter into the Indenture or the Loan Agreement or to secure the Series 2019 Bonds in the manner provided in the Indenture.

### **The Obligated Group**

No action, suit, proceeding or investigation is pending against the Obligated Group or, to the Obligated Group's knowledge, threatened which might materially adversely affect the business or properties or financial condition of the Obligated Group, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Loan Agreement, the Master Indenture, the Supplemental Indenture, the Mortgage, or any other documents executed by the Obligated Group, the performance by the Obligated Group of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

## INDEPENDENT AUDITORS

The consolidated financial statements of the Obligated Group Representative and its controlled entities as of December 31, 2018 and 2017 appearing in Appendix B of this Official Statement have been audited by Bonadio & Co., LLP, independent auditors, as stated in their report appearing in Appendix B to this Official Statement.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2019 Bonds are subject to the approving opinion of Harris Beach PLLC, Rochester, New York, as Bond Counsel to the Issuer, a form of which is attached as Appendix E. A signed copy of such opinion will be available at the time of original delivery of the Series 2019 Bonds. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Rochester, New York; for the Obligated Group by its counsel, Harter Secrest & Emery LLP, Rochester, New York; and for the Underwriter by its counsel, Nixon Peabody LLP, Rochester, New York.

## NO RATING

The Obligated Group has not applied to any rating agency for a rating on the Series 2019 Bonds. The Series 2019 Bonds are being issued as non-rated obligations.

## UNDERWRITING

The Series 2019 Bonds are being purchased by B.C. Ziegler and Company, as Underwriter. The Underwriter's compensation is \$1,496,343.75. The purchase contract for the Series 2019 Bonds provides that the Underwriter will purchase all of the Series 2019 Bonds. The Obligated Group has agreed to indemnify the Underwriter and the Issuer against losses, claims, damages and liabilities arising out of any incorrect statement or information contained in or information omitted from this Official Statement to the extent set forth in the purchase contract.

The initial public offering prices set forth on the inside cover page hereof may be changed from time to time by the Underwriter, and the Underwriter may offer to sell Series 2019 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof.

## TAX MATTERS

### Federal Income Taxes

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Bond Counsel is of the opinion that interest on the Series 2019 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals.

All maturities of the Series 2019 Bonds (each, a "Premium Bond") have initial offering prices in excess of their respective stated redemption prices (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A

purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Official Statement, who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Series 2019 Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the existence of bond premium, the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to Series 2019 Bonds, other federal tax consequences in respect of bond premium, and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

The Code establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2019 Bonds in order that interest on the Series 2019 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the Series 2019 Bonds and the Project, restrictions on the investment of proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with such continuing requirements may cause the interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2019 Bonds, irrespective of the date on which such noncompliance occurs. In the Indenture, the Loan Agreement, the Tax Compliance Agreement, and accompanying documents, the Issuer and the Obligated Group have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes, continuing compliance with such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal income tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2019 Bonds. The proposed form of opinion of Bond Counsel is attached to hereto as APPENDIX E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2019 Bonds should be aware that the accrual or receipt of interest on the Series 2019 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2019 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2019 Bonds, (ii) interest on the Series 2019 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2019 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2019 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including, without limitation, banks, thrift companies, and certain other financial companies to purchase or carry tax-exempt obligations, such as the Series 2019 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2019 Bonds.

Certain requirements and procedures contained in or referred to in the Indenture, the Loan Agreement, the Tax Compliance Agreement, and other relevant documents may be changed, and certain actions may be taken or omitted subsequent to the date of issue, under the circumstances and subject to the terms and conditions set forth in such documents or certificates, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2019 Bonds, or the interest thereon, if such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Harris Beach PLLC.

## State Income Taxes

In the opinion of Bond Counsel, under existing law as of the date of the issuance of the Series 2019 Bonds, for so long as interest on the Series 2019 Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. Noncompliance with any of the federal income tax requirements set forth above resulting in the interest on the Series 2019 Bonds being included in gross income for federal tax purposes would also cause such interest to be subject to personal income taxes imposed by the State of New York and any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2019 Bonds.

Interest on the Series 2019 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2019 Bonds under the laws of such other state or local jurisdictions. Each purchaser of the Series 2019 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2019 Bonds in a particular jurisdiction other than the State of New York.

## Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or omitted) or any events occurring (or not occurring) after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2019 Bonds to be subject to federal or State income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2019 Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2019 Bonds or of obligations which present similar tax issues, will not affect the market price or marketability of the Series 2019 Bonds. No prediction is made as to whether any such events will occur. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the foregoing matters.

All quotations from and summaries and explanations of provisions of law do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2019 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2019 BONDS.

## **FINANCIAL REPORTING AND CONTINUING DISCLOSURE**

### **Financial Reporting**

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

- (1) Commencing with the fiscal quarter ending December 31, 2019, 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, a combined or combining balance sheet as of the end of each such fiscal quarter, and a calculation of Days Cash on Hand, Historical Debt Service Coverage Ratio and occupancy, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative in an Officer's Certificate. Such financial statements and calculations shall be accompanied by comparisons to the Annual Budgets and a summary of (A) occupancy by each level of care (on a units available/units occupied/percentage occupied basis), and (B) payor mix in the Skilled Nursing Beds.

If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.00:1 and Days Cash on Hand of the Obligated Group is less than the Liquidity Requirement on a Testing Date as provided in the Master Indenture, the Obligated Group will deliver the financial information and the calculations described in the above paragraph on a monthly basis 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 Days Cash on Hand is at least equal to the applicable Liquidity Requirement.

(2) Within 150 days of the end of each Fiscal Year, commencing with the Fiscal Year commencing January 1, 2019, 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, together with a separate written statement of the Accountants preparing such report (or another firm of Accountants) containing calculations of the Obligated Group's Historical Debt Service Coverage Ratio and Days Cash on Hand at the end of such Fiscal Year and a statement that such Accountants have no knowledge of any default under the Master Indenture insofar as it relates to accounting matters or to the Obligated Group's financial covenants, 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.

(3) On or before the date of delivery of the financial reports referred to in paragraph (2) above, an Officer's Certificate of the Obligated Group Representative (A) 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, (B) calculating and certifying Days Cash on Hand, the Historical Debt Service Coverage Ratio and occupancy, as of the end of such month or Fiscal Year, as appropriate, (C) reporting the number of stars awarded to the Facilities pursuant to the Centers for Medicare and Medicaid Services Five-Star Quality Rating System, if applicable and available, and (D) certifying that the UCC-1 Financing Statements filed with the New York State Secretary of State to perfect the security interest in the Trust Estate granted to the Master Trustee under the Master Indenture are in full force and effect and disclosing the expiration date of such financing statements.

(4) On or before the date of delivery of the financial reports referred to in paragraphs (1) and (2) above, a management's discussion and analysis of results for the applicable fiscal period.

(5) Copies of (A) any board approved revisions to an Annual Budget provided pursuant to the Master Indenture, or (B) any correspondence to or from the Internal Revenue Service concerning the status of each Member of the Obligated Group which is an organization described in Section 501(c)(3) of the Code or with respect to the tax-exempt status of any Related Bonds, promptly upon receipt.

(6) 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 Additional Indebtedness is used to construct additional units at the Facilities, the Obligated Group Representative will provide monthly reports (A) 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 (B) reconciling the amount of construction contingency remaining and the uses of the contingency funds to date.

The Members also agree that, within 10 days after its receipt thereof, the Obligated Group Representative will file with the Required Information Recipients a summary of each Consultant's final report or counsel's opinion required to be prepared under the terms of the Master Indenture.

The Obligated Group Representative shall 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.

Without limiting the foregoing, pursuant to the Master Indenture, each Member will permit, upon reasonable notice, the Master Trustee or any such Related Bond Trustee (or such persons as they may designate) to visit and inspect, at the expense of such Person, 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 in the Master Indenture that they will furnish to the Master Trustee and each Related Bond Trustee, as soon as practicable after they are available, but in no event more than 150 days after the last day of such Interim Period, a financial report for such Interim Period certified by 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 containing a calculation of the Obligated Group's Historical Debt Service Coverage Ratio for the Interim Period 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).

### **Continuing Disclosure**

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Obligated Group has undertaken in a Continuing Disclosure Agreement dated as of December 1, 2019 (the "Continuing Disclosure Agreement") among the Obligated Group, the Obligated Group Representative and Wilmington Trust, National Association, as dissemination agent (the Dissemination Agent"), for the benefit of the holders of the Series 2019 Bonds, to provide to the Dissemination Agent certain annual information and notices required to be provided by Rule 15c2-12. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix F hereto. The Continuing Disclosure Agreement may be amended or modified without the consent of the holders of the Series 2019 Bonds under certain circumstances set forth therein. The Issuer has not committed to provide any continuing disclosure to the owners of the Series 2019 Bonds or to any other person.

In the Continuing Disclosure Agreement the Obligated Group has covenanted for the benefit of the owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the Obligated Group by not later than 150 days following the end of the Obligated Group's fiscal year beginning with the fiscal year ending December 31, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated

events, if deemed by the Obligated Group to be material. In addition to its obligations under Rule 15c2-12, the Obligated Group has agreed to provide certain financial and operating data on a quarterly basis (the “Quarterly Report”). The Annual Report and the Quarterly Report will be filed on behalf of the Obligated Group with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system located at [www.emma.msrb.org](http://www.emma.msrb.org), as set forth in the Continuing Disclosure Agreement.

#### MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Issuer with the holders of Series 2019 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2019 Bonds nor this Official Statement are to be construed as constituting an agreement with the purchasers of the Series 2019 Bonds.

The information contained herein should not be construed as representing all conditions affecting the Issuer, the Obligated Group, the Facilities, or the Series 2019 Bonds. The foregoing statements relating to the Act, the Indenture, the Loan Agreement, the Master Indenture, the Mortgage and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

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

It is anticipated that CUSIP identification numbers will be printed on the Series 2019 Bonds, but neither the failure to print such numbers on any Series 2019 Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Series 2019 Bonds.

The information assembled in this Official Statement has been supplied by the Obligated Group and other sources believed to be reliable, and, except for the statements under the headings “MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION and “LITIGATION – The Issuer” herein, the Issuer makes no representations with respect to nor warrants the accuracy of such information. The Obligated Group has agreed to indemnify the Issuer and the Underwriter against certain liabilities relating to the Official Statement.



The Issuer and the Obligated Group have authorized the distribution of this Official Statement.

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

By:           /s/ Peter W. Hin            
Title: President

**ST. ANN'S HOME FOR THE AGED**

By:           /s/ Dennis P. Kant            
Title: Senior Vice President & CFO

**ST. ANN'S NURSING HOME COMPANY, INC.**

By:           /s/ Dennis P. Kant            
Title: Senior Vice President & CFO

**ST. ANN'S SENIOR HOUSING, INC.**

By:           /s/ Dennis P. Kant            
Title: Senior Vice President & CFO

**CHERRY RIDGE INDEPENDENT LIVING, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By:           /s/ Dennis P. Kant            
Title: Senior Vice President & CFO

**CHERRY RIDGE APARTMENTS LIVING, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By:           /s/ Dennis P. Kant            
Title: Senior Vice President & CFO

**THE GLEN AT CHERRY RIDGE, LLC,**

By: St. Ann's Senior Housing, Inc., its sole member

By:           /s/ Dennis P. Kant            
Title: Senior Vice President & CFO

**CHAPEL OAKS, INC.**

By:       /s/ Dennis P. Kant        
Title: Senior Vice President & CFO

**APPENDIX A**  
**CERTAIN INFORMATION CONCERNING**  
**THE OBLIGATED GROUP**

The Information in this Appendix has been provided by the Obligated Group

## TABLE OF CONTENTS

|   |             |
|---|-------------|
| <b>HISTORY AND BACKGROUND</b> .....   | <b>A-1</b>  |
| <b>Introduction</b> .....   | <b>A-1</b>  |
| <b>History of the Obligated Group</b> .....                                   | <b>A-2</b>  |
| <b>THE OBLIGATED GROUP FACILITIES</b> .....                                   | <b>A-3</b>  |
| <b>St. Ann’s Home</b> .....   | <b>A-3</b>  |
| <b>St. Ann’s Care Center</b> .....  | <b>A-4</b>  |
| <b>Chapel Oaks</b> .....  | <b>A-4</b>  |
| <b>Cherry Ridge</b> .....   | <b>A-4</b>  |
| <b>Rates and Entrance Fees</b> .....  | <b>A-4</b>  |
| <b>Regulations, Permits and Licensure</b> .....                               | <b>A-5</b>  |
| <b>DESCRIPTION OF NON-OBLIGATED GROUP AFFILIATES</b> .....                    | <b>A-5</b>  |
| <b>CORPORATE STRUCTURE, GOVERNANCE AND EMPLOYEES</b> .....                    | <b>A-8</b>  |
| <b>SAGRI Board of Directors</b> .....   | <b>A-8</b>  |
| <b>Board Committees</b> .....   | <b>A-10</b> |
| <b>Executive Staff of SAGRI and the Obligated Group</b> .....                 | <b>A-10</b> |
| <b>Corporation Employees</b> .....  | <b>A-14</b> |
| <b>MASTER PLAN FOR ST. ANN’S COMMUNITY</b> .....                              | <b>A-15</b> |
| <b>THE PROJECT</b> .....  | <b>A-16</b> |
| <b>Construction Manager</b> .....   | <b>A-16</b> |
| <b>Construction Contract</b> .....  | <b>A-17</b> |
| <b>Architect Agreements</b> .....   | <b>A-17</b> |
| <b>FUNDRAISING EFFORTS</b> .....  | <b>A-18</b> |
| <b>SERVICE AREA AND COMPETITION</b> .....                                     | <b>A-20</b> |
| <b>Overview of the Obligated Group Market Area</b> .....                      | <b>A-20</b> |
| <b>Marketing the Obligated Group’s Services: A Centralized Approach</b> ..... | <b>A-20</b> |
| <b>SELECTED UTILIZATION AND FINANCIAL INFORMATION</b> .....                   | <b>A-21</b> |
| <b>Historical Utilization</b> .....   | <b>A-21</b> |
| <b>Summary Balance Sheet and Summary Statement of Operations</b> .....        | <b>A-23</b> |
| <b>Debt Service Coverage Ratio and Other Financial Ratios</b> .....           | <b>A-24</b> |
| <b>Management’s Discussion of Recent Financial Performance</b> .....          | <b>A-25</b> |
| <b>Budgeting Process</b> .....  | <b>A-27</b> |
| <b>Investment Policy and Historic Portfolio Returns</b> .....                 | <b>A-28</b> |
| <b>Other Indebtedness</b> .....   | <b>A-29</b> |
| <b>Future Plans</b> .....   | <b>A-29</b> |
| <b>OTHER INFORMATION</b> .....  | <b>A-29</b> |
| <b>Litigation and Investigations</b> .....                                    | <b>A-29</b> |
| <b>Insurance</b> .....  | <b>A-30</b> |

## APPENDIX A

### CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP

#### HISTORY AND BACKGROUND

##### Introduction

St. Ann's Home for the Aged (the "Home"), St. Ann's Nursing Home Company, Inc. (the "Heritage"), St. Ann's Senior Housing, Inc. (the "Sole Member"), Cherry Ridge Independent Living, LLC ("CRIL"), Cherry Ridge Apartments, LLC ("CRA"), The Glen at Cherry Ridge, LLC ("CRG") and Chapel Oaks, Inc. ("CO"; and, collectively with the Home, the Heritage, the Sole Member, CRIL, CRA and CRG, the "Obligated Group") are each subsidiaries of St. Ann's of Greater Rochester, Inc. ("SAGRI" or the "Parent"), which is a faith-based provider of residential and long-term care facilities for seniors. SAGRI is a senior housing and health services provider, with a tradition of care for older adults that began over 145 years ago. SAGRI, through the Obligated Group and other affiliates described herein, provides a complete range of services for senior adults. The various SAGRI facilities are referred to herein as the "St. Ann's Community."

The Home, the Heritage, the Sole Member and CO are each a not-for-profit corporation organized under the laws of the State of New York (the "State") and are each exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

CRIL, CRA and CRG are each limited liability companies organized under the laws of the State, the sole member of which is the Sole Member.

The facilities operated by the Home and CO are located in Irondequoit, New York on an approximately 17-acre campus (the "Irondequoit Campus"). The Home operates a 470-bed skilled nursing facility ("St. Ann's Home"). St. Ann's Home consists of two buildings: a ten-story building that contains 354 skilled nursing beds and 34 post-acute beds and a four-story building known as the Wegman Care Center that contains 72 skilled nursing beds and 10 palliative care beds facility (the "Wegman Care Center"). The Wegman Care Center was built as an addition to the 10-story building in 2012. The two buildings are connected by a walkway that also holds administrative offices. CO operates a senior independent living facility consisting of 120 independent living apartments on the Irondequoit Campus behind the St. Ann's Home ("Chapel Oaks"). In 2014, CO opened a wellness center and pool as part of the amenities of Chapel Oaks.

The facilities operated by the Heritage, CRIL, CRA and CRG are located on a 39-acre campus in Webster, New York (the "Webster Campus") and offer a full continuum of care.

The Heritage owns and operates St. Ann's Care Center (the "Care Center"), which is a 72-bed skilled nursing facility in a four story building on the Webster Campus.

CRIL, CRA and CRG own and operate a retirement community collectively known as Cherry Ridge ("Cherry Ridge") on the Webster Campus. Cherry Ridge consists of 55 two-bedroom cottage homes that offer entrance fee and rental options; 71 one and two-bedroom rental apartments; 51 assisted living apartments and 24-memory care studio suites. Cherry Ridge has multiple dining venues as well.

## History of the Obligated Group

The predecessor to St. Ann’s Home was established in 1873 by Mother Hieronymo O’Brien. It was initially established as the Home of Industry and as a ministry of the Sisters of St. Joseph to provide career training for young women who had no family support. The Sisters at the Home of Industry began taking in elderly women soon after the program opened, recognizing the need for care for the aging.

In 1904, Bishop Bernard McQuaid decided that he wanted to have a facility that could serve both women and men. In 1904, two fairs were held to raise funds for a new building, and the new facility opened in 1906 on Lake Avenue in Rochester, New York, as a residence for both women and men. St. Ann’s, as the facility became known, was operated by the Sisters of St. Joseph for Catholic Charities of the Rochester Diocese.

In 1963, to meet the increasing need of the Rochester community for elder care, a new facility was constructed on the Irondequoit Campus, the current location of the St. Ann’s Home. The Sisters of St. Joseph continued to play a key role in the leadership of the Home, and several of the original Sisters resided on the 10th floor of the new building.

The Irondequoit Campus was expanded in 1995 with the addition of Chapel Oaks.

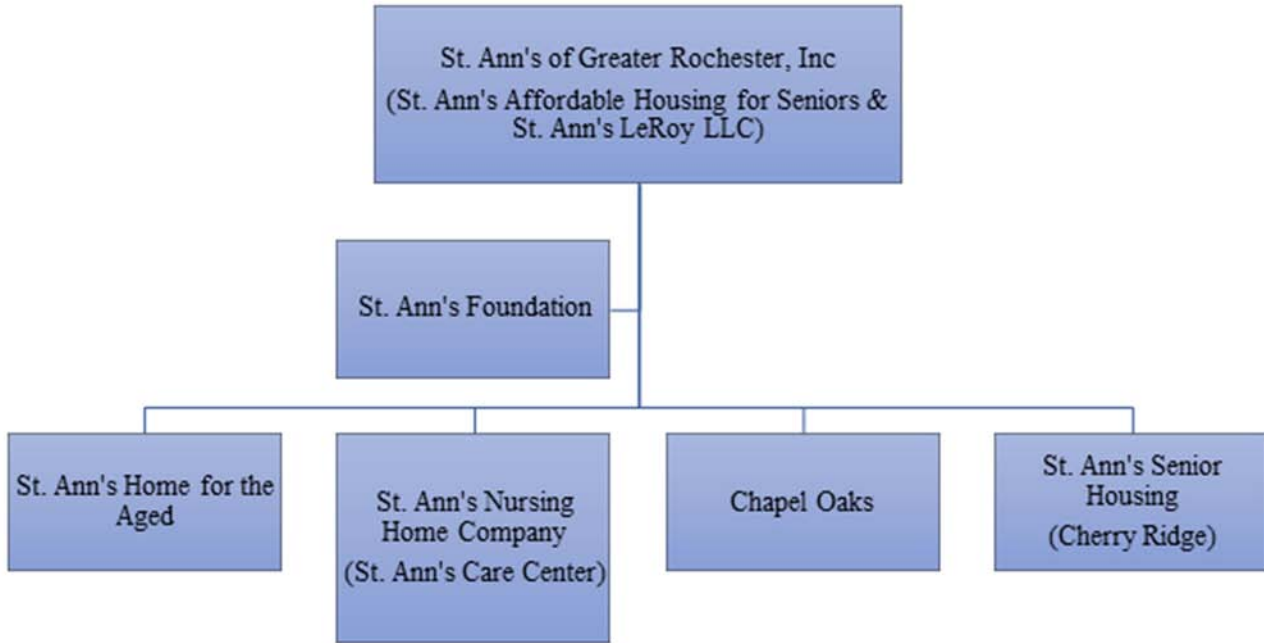
The Webster Campus was established in 2005 with the construction of Cherry Ridge, and was expanded in 2012, with the establishment of the Care Center.

### Obligated Group Facilities

| Building  | Year Placed in Service | Year Remodeled                              | Program   |
|---|------------------------|---|---|
| St. Ann’s Home  | 1963                   | 1999, 2002, 2015, 2018, 2019 <sup>(1)</sup> | Skilled Nursing, Post-Acute Rehabilitation, Palliative Care                             |
| St. Ann’s Nursing Home Company, Inc. a/k/a St. Ann’s Care Center (Heritage) | 2012                   | N/A   | Skilled Nursing   |
| Chapel Oaks   | 1995                   | On-going                                    | Independent Living  |
| St. Ann’s Senior Housing, Inc. d/b/a Cherry Ridge                           | 2005                   | On-going/2019                               | Cottages, Independent Living Apartments, Assisted Living, Assisted Living (Memory Care) |

(1) A portion of the proceeds of the Series 2019 Bonds will be used to finance the renovation of St. Ann’s Home.

### SAGRI Corporate Structure



### THE OBLIGATED GROUP FACILITIES

The Members of the Obligated Group own and operate St. Ann’s Home, the Care Center, Chapel Oaks, and Cherry Ridge (collectively the “Facilities” and each a “Facility”). Below is a description of the Facilities and the operations of the Obligated Group.

#### St. Ann’s Home

St. Ann’s Home was built in 1963 to provide additional skilled nursing beds for the St. Ann’s Community. St. Ann’s Home, at that time, was a 388-bed residential health care facility that provided nursing services to the elderly. St. Ann’s Home underwent a major renovation in 1999 costing approximately \$21 million to upgrade resident rooms, create a rehabilitation unit with dining and satellite gym on the 9th floor of the St. Ann’s Home and create a dedicated unit on the 1st floor for residents living with dementia. At that time, St. Ann’s Home added 34 beds, which were transferred from the Heritage. In 2002, St. Ann’s Home resident rooms underwent another small renovation to upgrade the facilities. Also in 2012, St. Ann’s Home underwent a second major renovation when it built the Wegman Care Center. The Wegman Care Center added an additional 38 rehabilitation beds as well as added 10 palliative care beds. In 2015, St. Ann’s Home underwent a \$2.5 million renovation to its basement floor to add training classroom space, as well as an upgraded cafeteria and resident enrichment room.

In response to the changing environment of post-acute care in the Rochester area, St. Ann’s Home, in 2018, underwent a renovation of the 9th floor and reverted 38 rehabilitation beds to long term care beds and moved its rehabilitation unit from the Wegman Care Center to the 9th floor of the St. Ann’s Home. In 2019, St. Ann’s Home began a \$36 million renovation project to renovate floors 3-8 in St. Ann’s Home and convert them to a neighborhood model environment.

In addition to long term care, post-acute rehabilitation and palliative care, St. Ann’s Home also provides adult day services, both medical and social models, and currently has an alliance with Rochester Regional Health to provide outpatient wound healing services for complex wounds and ostomy care including preoperative and postoperative care.

## St. Ann’s Care Center

The Care Center was originally established on the property of the St. Ann’s Home as a 203-bed skilled nursing facility. In 2012, when St. Ann’s Home added the Wegman Care Center, St. Ann’s moved 72 of the Heritage beds to the Webster Campus and established the Care Center. The Care Center was built in the neighborhood model of care, which provides residents a say in their daily lives, their care and their environment.

## Chapel Oaks

Chapel Oaks is a 120 apartment/independent living community built in 1997 that includes one and two bedroom rental apartments. Chapel Oaks is located on 14 secluded acres on the Irondequoit Campus right behind the St. Ann’s Home on Portland Avenue. Chapel Oaks has 6 levels of one and two bedroom apartments ranging from 612 to 1,107 square feet and ranging in monthly rents from \$2,646 to \$3,999. There is an on-site wellness center, which includes a pool, a fitness center and a wellness coordinator. There is also a large dining room, a newly renovated pub, a game room and a small bistro area for breakfast and lunch dining options.

## Cherry Ridge

Cherry Ridge, built in 2015, is a retirement community consisting of 55 two bedroom cottage homes, offering both entrance fee and rental options, 71 one and two bedroom rental apartments, 51 assisted living apartments and 24 memory care studio apartments. Cherry Ridge is co-located on the Webster Campus with the Care Center and establishes a full continuum of care on the Webster Campus. Cherry Ridge has multiple dining venues, including a café and large private dining room, a hair salon/barber shop, a library, several outdoor gardens, a bocce ball court, walking path, a fitness center with a wellness coach, and a game room. The property is located close to restaurants and entertainment venues in Webster.

## Rates and Entrance Fees

The following table sets forth the historical and current rates for the Facilities:

| Corporation           | 2016                | 2017                              | 2018               | 2019               |
|-----------------------|---------------------|-----------------------------------|--------------------|--------------------|
| St. Ann’s Home        | \$419-\$564/day     | \$432-\$581/day                   | \$440-\$592/day    | \$449-\$604/day    |
| St. Ann’s Care Center | \$449-\$567/day     | \$466-\$590/day                   | \$485-\$613/day    | \$529-\$669/day    |
| Chapel Oaks           | \$2,358-\$3,842/mo  | \$2,546-\$3,999/mo                | \$2,594-\$3,999/mo | \$2,646-\$3,999/mo |
| Cherry Ridge          |                     |                                   |                    |                    |
| Apartments (IL)       | \$1,462-\$2,721/mo. | \$1,461-\$2,721/mo <sup>(1)</sup> | \$1,476-\$2,748/mo | \$1,632-\$4,300/mo |
| Assisted Living       | \$166-\$195/day     | \$166-\$195/day <sup>(1)</sup>    | \$168-\$197/day    | \$177-\$202/day    |
| Memory Care           | \$194-\$199/day     | \$194-\$199/day <sup>(1)</sup>    | \$196-\$201/day    | \$201-\$206/day    |
| Cottages              |                     |                                   |                    |                    |
| Rental                | \$3,826-\$3,999/mo  | \$3,826-\$3,999/mo                | \$3,826-\$3,999/mo | \$3,945-\$4,300/mo |
| Entrance Fee          | See Chart Below     |                                   |                    |                    |

<sup>(1)</sup> 2017 – there was no rental increase

The cottages at Cherry Ridge have two different entrance fee financing options and a rental option. The first entrance fee option is called the Traditional Plan. The Traditional Plan option spends down a resident’s entrance fee by 2% monthly until there is a \$0 balance which takes approximately fifty (50) months or four years and two months (50 months x 2% = 100%). The second entrance fee option is a 90% refundable plan. This option allows for the entrance fee to be refundable at 90% when the resident(s) leave the cottage for any reason. This is valid for as long as they live in the cottage. In either plan, there are two financing options. Option A offers a lower entrance fee with a higher monthly service fee. Option B offers a higher entrance fee with a lower monthly service fee. There are three cottage styles that



residents can choose from, and entrance fees range based on cottage style. The chart below details the entrance and monthly fee options for the cottages at Cherry Ridge.

|                         | 2016   | 2017   | 2018   | 2019   |
|-------------------------|--|--|--|--|
| Traditional Plan        | \$101,121-\$170,965 (A)<br>\$123,615-\$170,965 (B) | \$101,121-\$170,965 (A)<br>\$123,615-\$170,965 (B)   | \$101,121-\$170,965 (A)<br>\$123,615-\$170,965 (B) | \$101,121-\$140,003 (A)<br>\$123,615-\$170,965 (B) |
| Option A<br>Monthly Fee | \$2,741-\$3,319/mo                                 | \$2,741-\$3,319/mo                                   | \$2,741-\$3,319/mo                                 | \$2,835-\$3,430/mo                                 |
| Option B<br>Monthly Fee | \$2,343-\$2,837/mo                                 | \$2,343-\$2,837/mo                                   | \$2,343-\$2,837/mo                                 | \$2,425-\$2,932/mo                                 |
| 90%<br>Refundable       | \$158,002-\$209,203 (A)<br>\$192,919-\$256,444 (B) | \$158,002 - \$209,203 (A)<br>\$192,919-\$256,444 (B) | \$158,002-\$209,203 (A)<br>\$192,919-\$256,444 (B) | \$158,002-\$209,203 (A)<br>\$192,919-\$256,444 (B) |
| Option A<br>Monthly Fee | \$3,347-\$3,978/mo.                                | \$3,347-\$3,978/mo.                                  | \$3,347-\$3,978/mo.                                | \$3,458-\$4,058/mo                                 |
| Option B<br>Monthly Fee | \$2,857-\$3,397/mo.                                | \$2,857-\$3,397/mo.                                  | \$2,857-\$3,397/mo.                                | \$2,957-\$3,510/mo                                 |

### Regulations, Permits and Licensure

Each Member of the Obligated Group licenses its facilities according to the State and Federal required standards. St. Ann’s Home and the Care Center are licensed as resident health care facilities (skilled nursing facilities) by the State of New York Department of Health Code under Article 28 of the New York State Public Health Law, and are certified to provide baseline nursing home services, Adult Day Health Care (with 30 medical slots), Radiology-Diagnostic, as well as physical, occupational and speech language pathology therapy (outpatient as well). St. Ann’s Home is certified for 470 total beds, and the Care Center is certified for 72 beds. The New York State Department of Health regulates, among other matters, admission policies, patient care, physician and nursing services, staffing, building specifications, furnishings, patient supplies, nutritional needs, pharmaceutical services and record keeping. The Home and the Heritage are required to conduct audits, quality control reviews and utilization reviews. Both Facilities are subjected to an annual inspection and survey by the New York State Department of Health.

The 51 assisted living apartments and the 24 memory care units located on the Cherry Ridge campus are licensed as adult home – assisted living residences by the State of New York, Department of Health to accommodate 87 residents (effective 8/13/2009). CRG also holds a certification for enhanced assisted living residences for 15 residents (effective 12/28/2019) and a certification for Special Needs Assisted Living Residences for 26 residents (effective 12/28/2010) in 24 units. The current operating certificate was issued on August 1, 2017. Because it is a regulated facility, it is subject to annual inspection as a condition for renewal of licensure.

The Obligated Group believes it is in compliance with all licensure requirements and expects that all licenses will be renewed during the annual health inspection.

It is the intent of the Obligated Group to submit and comply with all licensing requirements, however, there can be no assurance that all renewals will be granted from time to time or that one or more licenses will not be revoked or suspended in the future.

### DESCRIPTION OF NON-OBLIGATED GROUP AFFILIATES

The following is a description of the affiliates of SAGRI that are not Members of the Obligated Group. **These affiliated companies are not part of the Obligated Group. Except as noted below no debts of the following entities are guaranteed by or obligations of the Obligated Group.**

- SAGRI is a 20% investor in the Alliance for Senior Care Communities, LLC and Alliance for Senior Care Communities, LLC, IPA for the purpose of facilitating the expansion of services to older adults in Monroe

County. SAGRI accounts for the investment using the equity method and records a charge against the investment to reflect its pro-rata share of the net equity of the affiliate.

- The Home holds a 6.87% membership interest in Pandion Sourcing National, a group purchasing service for healthcare organizations in New York State. The Home accounts for the investment using the equity method.
- SAGRI is a co-developer with Providence Housing Development Corporation (Providence) for the Durand Senior Housing, an affordable housing project in Irondequoit, New York with which SAGRI has a subleasing agreement for adult day care services space and is accounted for under the equity method. Durand Senior Housing is not located on the St. Ann's Community campuses and is not managed by SAGRI.
- SAGRI also has two captive medical practices:
  - Pillar Medical Group, P.C. ("Pillar") is a geriatric primary care practice. The medical practice has one shareholder, Dr. Brian Heppard, who is employed by the Home and contracted through an employment agreement back to Pillar. Pillar provides geriatric primary care services to the independent, assisted and memory care residents at Chapel Oaks and Cherry Ridge. SAGRI has entered into a management agreement with Pillar to provide management services and support capital equipment as needed. Should Dr. Heppard leave Pillar, the shares, by agreement, revert back to SAGRI.
  - Wound Care Medical Associates, P.C. ("WCMA") is a physician practice specializing in wound care. WCMA also supports the Wound Healing Center, a partnership with Rochester Regional Hospital for outpatient wound care. WCMA has two shareholders, Dr. Kim Petrone and Dr. Jarvis Sanchez, who hold equal shares of the practice. Both Drs. Petrone and Sanchez are employed by the Home and are contracted to WCMA to provide physician services. SAGRI has entered into a management agreement with WCMA to provide management services and support capital equipment as needed. Should either Dr. Petrone or Dr. Sanchez choose to leave WCMA, the respective shares would revert back to SAGRI.
- SAGRI is in a partnership with Rochester Regional Hospital to operate the Wound Healing Center located on the ground floor of the St. Ann's Home. The Wound Healing Center is a collaborative partnership to provide sophisticated outpatient wound care services that enhance the healing process, allowing patients to improve their mobility and improve their overall quality of life. Dr. Kim Petrone, the Home's Medical Director, manages the Wound Healing Center. Dr. Petrone is AMA board certified in Geriatric Medicine and Internal medicine and is a certified wound specialist. Rochester Regional Hospital holds the licensing of the Wound Healing Center and rents the space, the equipment and the staff from SAGRI.

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The following table describes the St. Ann's Community facilities.

|   | ILU        | AL        | EALR <sup>(1)</sup> | SNF        | Total Units/<br>Beds |
|---|------------|-----------|---------------------|------------|----------------------|
| <b>Market Rate Communities</b>                                  |            |           |                     |            |                      |
| <b><i>100% Ownership - Part of Obligated Group</i></b>          |            |           |                     |            |                      |
| St. Ann's Home for the Aged, Inc.                               | 0          | 0         | 0                   | 470        | 470                  |
| St. Ann's Nursing Home Company, Inc.<br>(Heritage/Care Center)  | 0          | 0         | 0                   | 72         | 72                   |
| Chapel Oaks, Inc.   | 120        | 0         | 0                   | 0          | 120                  |
| St. Ann's Senior Housing Inc. (Cherry Ridge)                    | 126        | 51        | 24                  | 0          | 201                  |
| <b>Total: Obligated Group</b>                                   | <b>246</b> | <b>51</b> | <b>24</b>           | <b>542</b> | <b>863</b>           |
| <b><i>100% Ownership - Outside of Obligated Group</i></b>       |            |           |                     |            |                      |
| St. Ann's LeRoy (the Greens)                                    | 51         | 0         | 0                   | 0          | 51                   |
| <b>Affordable Housing</b>                                       |            |           |                     |            |                      |
| <b><i>1% or less Ownership - Outside of Obligated Group</i></b> |            |           |                     |            |                      |
| Durand Senior Housing   | 71         | 0         | 0                   | 0          | 71                   |
| <b>Total</b>  | <b>368</b> | <b>51</b> | <b>24</b>           | <b>542</b> | <b>985</b>           |

<sup>(1)</sup> Relates to 24 memory care studio apartments at Cherry Ridge classified as Enhanced Assisted Living Residences.

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## CORPORATE STRUCTURE, GOVERNANCE AND EMPLOYEES

### SAGRI Board of Directors

SAGRI is governed by a voluntary Board of Directors (the “Board”) of no less than three (3) persons. The number of Directors comprising the entire Board shall be determined by resolution of the Board. There are currently 22 members of the Board. The Board governs and represents each Member of the Obligated Group as the Members of the Obligated Group do not have separate boards.

Each Director is elected at an annual meeting of the Board, and takes office immediately following that meeting. Each Director holds office for a term of three (3) years and until his or her successor has been elected and qualified. No Director shall be eligible to serve more than four (4) consecutive three-year terms. Any Director who has served four (4) consecutive three-year terms shall not be eligible for reelection until one (1) year after the end of his or her fourth consecutive term.

The following people comprise the Board:

| <b>Name</b>                           | <b>Service Since</b> | <b>Occupation</b>                                    | <b>Committee</b>  |
|---------------------------------------|----------------------|--|---|
| Daniel Adams                          | 2019                 | Retired  | Quality   |
| Edmond Akubuiro                       | 2018                 | Independent Contractor                               | Strategic Planning  |
| Michelle Ashby                        | 2013                 | President & CEO<br>Tipping Point Media               | Executive Strategic Planning  |
| Craig Burton                          | 2013                 | SVP<br>Five Star Bank                                | Strategic Planning  |
| Thomas Combs                          | 2013                 | Retired  | Executive Audit & Compliance Finance  |
| Mark Cronin                           | 2013                 | COO<br>AccountableHealth Partners                    | Finance   |
| Kent Gardner, Chair                   | 2008                 | Chief Economist<br>Center for Governmental Research  | Executive Finance<br>Strategic Planning<br>Audit & Compliance<br>Investment |
| John C. Hayes,<br>Secretary/Treasurer | 2012                 | Chief Operations Officer, GK+LC<br>Business Services | Investment Committee & Campaign Steering                                    |

|                                 |      |   |  |
|---------------------------------|------|---|--|
| Carmen Indiano                  | 2017 | VP<br>Indiano Capital<br>Management, Inc.   | Human<br>Resources   |
| James Leo                       | 2016 | Retired   | Executive<br>Finance<br>Campaign<br>Steering                         |
| Candas Lucas                    | 2019 | Executive Director<br>St. Joseph's<br>Neighborhood<br>Center                                | Audit &<br>Compliance  |
| Anna Lynch, Esq.                | 2015 | Managing Partner<br>Underberg & Kessler   | Finance  |
| Sr. Marlene Pape                | 2012 | Appeals Officer<br>Maximus Federal<br>Services  | Quality  |
| Michael Pinch                   | 2012 | Independent<br>Consultant   | Audit &<br>Compliance  |
| Trish Rissone                   | 2019 | Building & Support<br>Service Manager<br>ESL Federal Credit<br>Union                        | Strategic<br>Planning  |
| Mauricio Riveros <sup>(1)</sup> | 2013 | Chief Innovation<br>Officer<br>The Pike Company<br><br>President<br>LECESSE<br>Construction | Human<br>Resources   |
| Cheryl Ryan                     | 2014 | HR Professional<br>Xerox  | Executive<br>Human<br>Resources                                      |
| Ronald Salluzzo,<br>Chair Elect | 2016 | President<br>Attain   | Executive<br>Finance<br>Investment                                   |
| Deb Schauseil                   | 2017 | Retired   | Human<br>Resources<br>Strategic<br>Planning<br>Audit &<br>Compliance |
| Fr. Robert Schrader             | 2019 | Reverend  | Quality  |
| Samantha Singhal                | 2018 | Co-Deputy CIO<br>University of<br>Rochester   | Human<br>Resources   |

|   |      |  |   |
|---|------|--|---|
| Joseph Stankaitis,<br>M.D., Immediate<br>Past Chair | 2011 | CMO<br>The Monroe Plan for<br>Medical Care | Executive<br>Quality<br>Audit &<br>Compliance |
|---|------|--|---|

<sup>(1)</sup> Mr. Riveros is President of LECESSSE Construction Services LLC who serves as Construction Manager for the Project described in this Appendix. See “THE PROJECT -- Construction Manager” herein.

**Board Committees**

SAGRI’s Board of Directors has eight standing committees, listed below. Current committee assignments for Board members are shown above.

- Executive
- Human Resources
- Strategic Planning
- Campaign Steering
- Quality
- Finance
- Audit & Compliance
- Investment

**Executive Staff of SAGRI and the Obligated Group**

The day-to-day operations of SAGRI and the Members of the Obligated Group are managed by on-site personnel. Brief resumes of key members of the executive staff of SAGRI and each Member of the Obligated Group are included below. Each person listed below serves in his or her described role both for SAGRI and for each Member of the Obligated Group.

**Michael E. McRae, President and Chief Executive Officer.** Mr. McRae has over 30 years’ experience in non-profit administration and healthcare management. Mr. McRae joined SAGRI in 2010 and has previously held the positions of Vice President of Operations and Senior Vice President and Chief Operating Officer. Mr. McRae became the President and Chief Executive Officer in 2014. Mr. McRae oversaw the strategic repositioning of services at St. Ann’s Community, opening 2 state of the art skilled nursing facilities and partnering with Rochester Regional Hospital to open the only Advanced Wound Healing Center in a skilled nursing facility in New York State.

Prior to joining SAGRI, he served as a Senior Executive with several Buffalo, New York nursing homes and senior care communities, including Catholic Health System. While at Catholic Health System, Mr. McRae was responsible for launching the first post-acute sub-acute rehab.

In addition to Mr. McRae’s work experience, he has served on multiple boards for community organizations. He currently serves on the Board of Directors for University of Rochester Medical Center Home Care, Pandion Optimization Alliance, Brothers of Mercy, Common Ground Health, Rochester Institute of Technology Advisory Board and as a committee member of LeadingAge New York Legal Services.

Mr. McRae holds a Master of Science in Human Service Administration from Buffalo State College and a Bachelor of Arts in Human Services with concentration in Gerontology from the University at Buffalo. Mr. McRae also holds a certificate in Value Measurement for Healthcare from Harvard Business School.

**Dennis P. Kant, Senior Vice President/Chief Financial Officer.** Mr. Kant joined SAGRI in October 2011, serving as the Senior Vice President and Chief Financial Officer. Mr. Kant has a Bachelor of Science in Business Administration with a degree in Accounting from Valparaiso University and is a Certified Public Accountant. He has more than 30 years of experience in the field of healthcare finance, insurance, team leadership and development, financial operations, project management, strategic planning and business development. Mr. Kant's previous experience includes Blue Cross/Blue Shield of New Jersey, Vice President and Controller of Preferred Care, and Vice President and Corporate Controller of MVP Healthcare.

**Robert Bourg, Senior Vice President Human Resources.** Mr. Bourg is the Senior Vice President of Human Resources for SAGRI. In his role, Mr. Bourg oversees the Human Resources, Quality, and Education departments, ensuring partnership and collaboration among these teams.

He joined SAGRI in 1999 as the Director of Governance and Administration. After receiving his New York State Nursing Home Administrators license in 2004, he served as Vice-President/Administrator for the Care Center's predecessor on the Irondequoit Campus. In June of 2010, Mr. Bourg was named Vice President of Human Resources/Organizational Development and was promoted to Senior Vice President in 2017.

Prior to joining SAGRI, Mr. Bourg spent 5 years at the University of Rochester Medical Center as the program manager for Strong Perifacts, an educational initiative for labor & delivery nurses. He also spent time at The Genesee Hospital as a graduate intern in the Public Relations department. Mr. Bourg graduated from Binghamton University with a Bachelor's degree in Management, and received his Master's Degree in Public Administration from SUNY-Brockport.

Mr. Bourg also spends time volunteering for Junior Achievement of Central New York, and is an Advisory Board member for the Rochester Healthcare Business Academy, and a member of the SUNY-Brockport MPA Advisory Council.

**Susan E. Murty, Vice President/Administrator.** Ms. Murty is currently the Vice President and Administrator of SAGRI. In this role Ms. Murty oversees the entire skilled nursing operation of both St. Ann's Home and the Care Center. Additionally Ms. Murty has oversight of the pharmacy, medical departments, and Adult Day Services.

Ms. Murty joined SAGRI in 2001 as the Director of Social Work. Over the course of several years, she has had the opportunity to serve as Assistant Administrator, Administrator of the Care Center's predecessor on the Irondequoit Campus, Administrator of the Care Center, and finally Vice President of Skilled Nursing Operations. Ms. Murty has led through many changes relating to skilled nursing including relocating over 34 residents to the St. Ann's Home, and 72 residents from the Irondequoit Campus to the new Care Center on the Webster Campus.

Ms. Murty has approximately 20 years of experience working with seniors in a health care setting. Ms. Murty holds a Bachelor's Degree in Psychology from SUNY Fredonia, and a Master's in Social Work from Syracuse University.

**Kim Petrone, M.D., Medical Director.** Kim Petrone, MD, CMD, CWS has been caring for adults at St. Ann's Community since 2005. Dr. Petrone is Board Certified in Internal Medicine and Geriatrics, a Certified Wound Specialist and is also a Board Certified Medical Director. She obtained her undergraduate degree at Duke University and graduated from medical school at the University of Rochester. She was the Chief Resident in Internal Medicine at the University of Rochester. She then completed a two year Geriatric Medicine fellowship at the University of Rochester.

Dr. Petrone started her career as a Hospitalist at Rochester General Hospital before joining SAGRI in 2005 as a Staff Physician. Dr. Petrone is also the Medical Director of the St. Ann's Wound Center which is in a partnership with Rochester Regional Health.

**Jennifer Blackchief, Vice President Senior Housing Operations and Development.** Ms. Blackchief joined SAGRI in 2016 as the Vice President of Housing, responsible for housing operations including independent retirement living and strategic planning. Ms. Blackchief is responsible for housing at Cherry Ridge, Chapel Oaks and St. Ann's LeRoy.

Ms. Blackchief has over 20 years of healthcare experience, with most of her time spent in not-for-profit administration and aging services. Outside of that arena, she served as Senior Vice President for TEAMHealth, a publicly traded physician-led healthcare solutions company, with focus on provider management and business development.

Ms. Blackchief received her Master's Degree in Business Administration from Medaille College in Buffalo, NY and her Bachelor's Degree from SUNY at Buffalo. She is also a recent graduate of the Northstar Network Rochester Healthcare Business Academy.

**Eileen Ryan-Maruke, Vice President Marketing & Community Relations.** Ms. Ryan-Maruke has over 25 years of healthcare experience and 30 years working for not-for-profits. She joined SAGRI in 1992 as Director of Community Relations, rising to Director of Marketing and then Vice-President in 2001.

Ms. Ryan-Maruke serves as the Key Brand Strategist with oversight of all aspects of SAGRI's brand image including marketing, sales, admissions, corporate communications, public relations and digital/social media. She is responsible for managing system wide sales and meeting occupancy projections across all service lines. Under Ms. Ryan-Maruke's leadership, SAGRI was the first senior housing and healthcare system in Rochester to successfully integrate and centralize the sales and admissions operations. She led the organizations first strategic re-branding campaign which resulted in SAGRI having the highest brand recall for senior services in the Rochester area according to Knowledge System Research.

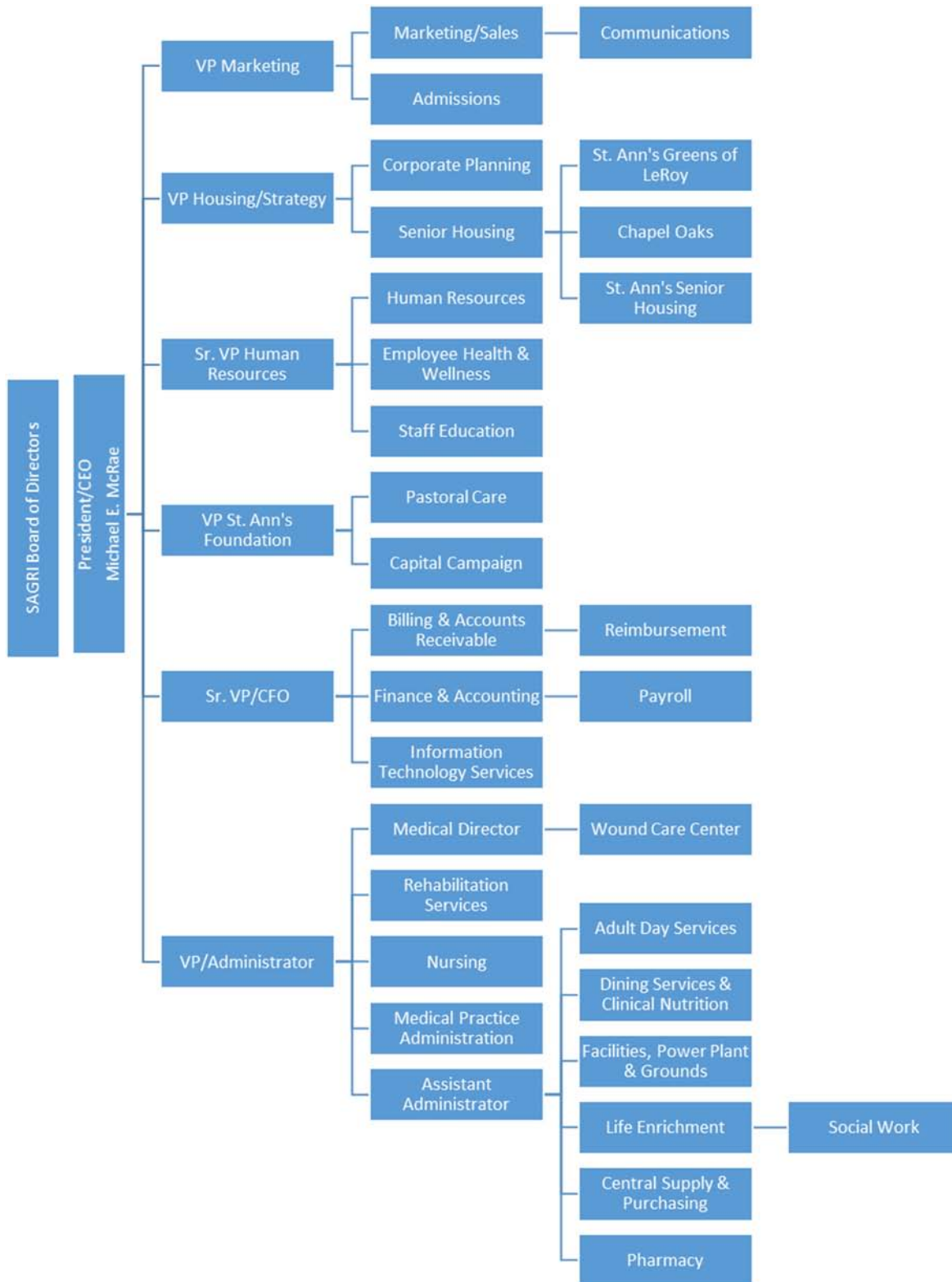
Ms. Ryan-Maruke holds a Bachelor of Arts degree in Sociology from St. John Fisher College.

**Sabrina McLeod, Director of Finance.** Ms. McLeod has over 20 years of healthcare and nonprofit experience. She joined SAGRI in 2015. Prior to coming to SAGRI, Ms. McLeod held finance positions at St. John's Home and the County of Monroe Department of Finance. Ms. McLeod oversees the financial reporting operations for SAGRI and its affiliates.

Ms. McLeod holds a Master of Public Administration concentrated in Healthcare Finance from State University of Brockport and Bachelor of Science degrees in Business Administration and Communication from Houghton College, Houghton, New York. She also holds a Lean Six Sigma Yellow Belt and a Certificate in Value Measurement for Healthcare from Harvard Business School.



## SAGRI CORPORATE REPORTING STRUCTURE



## Corporation Employees

As of August 31, 2019, St. Ann's Community employed 1,177 employees (or 793.50 full-time equivalents ("FTE's"). Of this total, there are approximately 51 registered nurses and 112 licensed practical nurses. All employees are employees of the Home and are allocated to the other entities. Currently, none of St. Ann's Community employees are represented by labor union. The allocation of FTE's s as follows:

- the Home: 548 FTE's
- the Heritage: 107 FTEs
- CO: 32 FTE's
- CRIL, CRA and CRG: 101 FTE's
- St. Ann's Foundation: 6 FTE's

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## MASTER PLAN FOR ST. ANN'S COMMUNITY

SAGRI began a campus-wide repositioning of the St. Ann's Community in 2015. At that time, SAGRI completed a five year financial forecast which showed a significant consolidated deficit at the end of the five years. With the support of the Board, SAGRI began its Master Plan to reposition the St. Ann's Home, as well as Cherry Ridge, in order to correct the projected deficit. The Master Plan was driven by three main drivers:

1. Decreasing reimbursements;
2. Continued rising expenses, including a State-wide mandated minimum wage increase; and
3. Decreasing lengths of stay – on the long term care side as well as post-acute rehabilitation.

The total cost of the repositioning for the St. Ann's Home is estimated to cost approximately \$58.2 million dollars. The Master Plan for the repositioning was started in 2015 and is anticipated to be completed in the last quarter of 2021. SAGRI undertook a detailed planning process in order to determine what projects would position SAGRI to serve its residents best. As part of that process SAGRI engaged with financial planning experts and consultants and construction cost analyses. This information was combined into 5-year financial forecasts to ensure long term financial sustainability. Multiple planning iterations were completed before a campus repositioning plan was finalized and approved by the Board that resulted in a complete campus repositioning with expected financial results at or better than historical averages, without deficits.

The repositioning allows the organization to meet the needs of its residents and the broader community by updating facilities and restructuring the care delivery model in the St. Ann's Home. As part of the campus repositioning, the Board approved the following changes to the St. Ann's Home, to be completed in two phases:

### Phase I:

- Relocation of 34 post-acute rehabilitation beds from the Wegman Care Center building to the 9<sup>th</sup> floor of the St. Ann's Home's original building
- Renovation of existing 9<sup>th</sup> floor units, including construction of a rehabilitation gym and rehabilitation administration offices on the 9<sup>th</sup> floor, as well as kitchen and dining area for the patients of the rehabilitation unit
- Phase I of the Master Plan is complete

### Phase II:

- Renovation of floors 3-8 which includes a 94-bed reduction of the existing 470-beds
- Addition of private bathrooms in most of the renovated rooms
- Expansion of kitchen and dining areas on floors 3-8 to accommodate family style dining for the residents
- Renovation and relocation of office space, including nurses' stations

As noted above, Phase I primarily focused on the relocation of the post-acute rehabilitation beds and renovation to the 9<sup>th</sup> floor of the St. Ann's Home. Phase I began in 2017 and was completed in 2018. The total cost of Phase I was approximately \$3.2 million. Phase I was entirely funded through the use of operating cash flow.

Phase II, which began in late 2018 and is projected to be completed in 2021, includes the renovation of the skilled nursing area and resident rooms on floors 3-8, including the addition of private bathrooms in most of the rooms and expansion of the kitchen and dining services area on each floor. The total cost of Phase II is approximately \$55 million, which includes approximately \$15 million in transitional operating losses. Phase II will be funded utilizing proceeds of the Series 2019 Bonds, a capital campaign to raise \$16 million, \$8.2 million of which has been raised by August 31, 2019, and operating cash flow.

At completion of the St Ann's Home's repositioning, the majority of the St. Ann's Home's building will have been updated, renovated or constructed. The Project and overall campus master plan are expected to come in at budgeted costs with ongoing operating results expected to be consistent with approved plans.

## **THE PROJECT**

A portion of the proceeds from the Series 2019 Bonds will be used to pay the costs of Phase II, which includes the following capital improvements:

- i. Reconfiguring 3rd through 8th floors at the St. Ann's Home into two households of 15 residents for a total of 30 residents per floor. The current layout of the floors provides a total bed count of 36-46 residents, depending on the floor.
- ii. Modifying floors 3rd through 8th to provide an entry sequence to the households by creating an elevator foyer, and a distinct entrance to each of the households.
- iii. Modifying resident rooms as a result of the smaller number of beds per floor. Some resident rooms will be combined to create fully accessible private bathrooms with showers.
- iv. Food service renovations, including an open kitchen on floors 3<sup>rd</sup> through 8th.
- v. Addition of cooling systems to common areas from 1st to 8th floors,
- vi. Relocation of the main kitchen (ground floor) exhaust duct and electrical upgrades.
- vii. Construction of a new trash chute to serve all floors, at the core of the building in the existing service area;
- viii. Duct relocation from the main, ground floor kitchen, to allow for the main kitchen shaft to be eliminated, as this impacts the layout of the shared kitchens at each floor. This duct will be relocated to the lower roof, which is located outside of the tower footprint on the 1st floor level;
- ix. New ductwork in existing shafts to bring current systems up to code, especially as it relates to new ventilation requirements;
- x. Upgraded electric service from floors 3rd to 8th;
- xi. A new 4 pipe fan coil system to each floor;
- xii. Upgraded transfer switches and electrical gear, to replace current ones that are old and obsolete.

A portion of the proceeds of the Series 2019 Bonds will refund bonds issued in 2014 which benefitted the Home, the Heritage, CRIL, CRA and CRG. A portion of the proceeds of the Series 2019 Bonds will also refund bonds issued in 2014 benefitting Chapel Oaks. See the front part of this Official Statement for more information on the refunding.

### **Construction Manager**

LECESSE Construction Services LLC has been partners with the Home for the past 30 years and has been hired as the Construction Manager and Design Consultant for the Project described above. LECESSE Construction Services LLC has been engaged with SWBR Architects and ME Engineering during the design and preconstruction phase of the project.

LECESSE Construction Services LLC is a leading provider of construction management services located in Rochester, New York and has been in business since 1952. LECESSE Construction Services LLC is a full-service construction management firm specializing in highly regulated markets including Health Care, Senior Living and Market Rate Apartments. They have significant, direct senior living experience in both new construction and repositioning existing facilities.

## **Construction Contract**

LECESSE Construction Services LLC has entered into a contract for capital improvements to the St. Ann's Home. The contract includes a guaranteed maximum pricing of \$32,151,901 and was executed on May 31, 2019. The scope of the Project will include renovation of the skilled nursing area and resident rooms on floors 3 – 8 of the St. Ann's Home, including the addition of private bathrooms in most of the rooms, the expansion of the kitchen and dining services areas on each floor, and other infrastructure upgrades to the St. Ann's Home. See "THE PROJECT" above for specific details of the capital improvements expected to be made.

Pursuant to the contract, construction and remodeling will be completed as follows:

- Construction on the Project began in March 2019
- Construction of the Project is anticipated to last 28 months
- Based upon the current anticipated timeline for the Project, construction completion is anticipated by the end of June 2021

The contract does not provide for the payment of liquidated damages if construction is not completed in accordance with this timeline.

## **Architect Agreements**

SWBR Architecture, Engineering and Landscape Architecture, D.P.C ("SWBR") of Rochester, New York is the architect for the skilled nursing renovation project. SWBR was founded 50 years ago and has a diverse portfolio of architectural projects, including housing, education and commercial / industrial projects. Within their Housing Studio, several team members are specifically focused on senior living environments. Their experience includes multiple communities supporting independent living, assisted living, memory care and skilled nursing.

SWBR has entered into a contract in the amount of \$1,600,000, plus reimbursable expenses, for design services related to the Project at the St. Ann's Home. St. Ann's Home has a Master Plan in place to renovate floors 3-8 of the St. Ann's Home. See "MASTER PLAN FOR ST ANN'S COMMUNITY" and "THE PROJECT" above. SWBR will provide schematic design, design development, including finalizing the floor plans with resident room modifications and common areas, and present design concept and color palettes for the approval of the St. Ann's Home team. SWBR will also provide documentation required for permit and construction, including title sheet, floor plans, interior elevations, reflected ceiling plan, room finish and door schedules. SWBR will also provide construction administration services by reviewing submittals, responses to requests for information, and sixty (60) site visits to resolve issues. SWBR will also be responsible for conducting the punch list inspection.

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## FUNDRAISING EFFORTS

The St. Ann's Foundation (the "Foundation") was created in 1989 to provide philanthropic support for SAGRI and its affiliates. The Foundation partners with donors, grant makers and others in the Rochester community securing charitable support for the wide range of programming, capital and quality of life initiatives that directly benefit the seniors served by St. Ann's Community.

The Foundation is not a member of the Obligated Group and, except as stated below, is not obligated in connection with the Series 2019 Bonds or the construction of the Project.

In connection with the issuance of the Series 2019 Bonds, the Foundation will enter into a Limited Support Agreement (the "Limited Support Agreement") with the Obligated Group Representative, the Obligated Group and the Master Trustee. Pursuant to the Limited Support Agreement, the Foundation has agreed to provide up to \$20,000,000 of support (as such amount shall be reduced from time to time in accordance with the Limited Support Agreement, to the Obligated Group for the following purposes: (i) prior to the date when the 2019 Home Project is complete, if no moneys are on deposit in the Project Fund under the Indenture (other than any amounts on deposit therein that have been previously committed to pay 2019 Home Project costs), the Obligated Group Representative may make written demand for payment of funds required to complete the 2019 Home Project in accordance with the Loan Agreement by directing the Foundation to transfer cash to the Trustee for deposit in the Project Fund under the Indenture, or (ii) if at any time an Obligated Group Member needs money for payment of working capital expenses, capital costs other than 2019 Home Project costs or operating expenses, and no moneys are otherwise available to such Obligated Group Member at that time to pay such amounts, the Obligated Group Representative may make written demand for payment directing the Foundation to transfer cash to such Obligated Group Member.

See the front part of this Official Statement for more information concerning the Limited Support Agreement.

The Foundation utilizes a wide range of giving programs including annual appeals, capital and equipment funding opportunities, grant making, planned giving programs including a Charitable Gift Annuity offering, and several program-specific funds including permanent endowments for Pastoral Care and Employee Scholarships.

The Foundation holds an annual employee campaign that sees over 50% of St. Ann's Community's 1200 employees making a gift to the "Caring Hands" campaign that routinely contributes more than \$100,000 to the Foundation. Volunteer leaders on the Boards of SAGRI and its affiliates and the Foundation contribute generously with more than \$2.7 million in personal gifts committed to our current capital campaign. Gifts from estates and other significant planned gifts have become increasingly important in the Foundation's philanthropic portfolio. Over the past two decades, 62 estates and charitable trusts have contributed \$3.7 million to the Foundation. Driving this success in Planned Giving is the Foundation's Hogan Society that now includes nearly 70 individuals who have shared their intention to include a gift for the Foundation in their estate.

The Foundation has completed three successful capital fund raising efforts and in 2018 embarked on its most ambitious capital campaign. Here is a summary of these past efforts:

- **Campaign for the Future:** Our first capital campaign sought to raise \$2 million to build the community center for Cherry Ridge. The two year campaign ended on schedule raising \$2.1 million in 2005.
- **Campaign for the Most Important People on Earth:** Raising funds for the construction of two new buildings completed in 2013, this campaign had a goal of raising \$8 million. At the end of the campaign, the Foundation successfully had raised \$9.2 million including \$2.2 million in deferred gift commitments. The Foundation received over \$2.8 million in pledges

and the vast majority of those gifts were fully paid within three years of the original gift commitment.

- **The Life & Learning Center Campaign:** This “mini” campaign from January 2014 to December 2016 funded the renovation of space in the St. Ann’s Home basement level. The announced goal was to raise \$2.2 million. The total funds raised were \$2.5 million with no deferred gift commitments included. The Foundation received approximately \$1.6M in pledges, and the vast majority of those gifts were fully paid within three years of the original gift commitment.

Our current major fundraising effort is the **Campaign For All They’ve Given** and was launched by the Foundation’s Board in 2018. This five year campaign will support the Master Plan, the largest renovation project in St. Ann’s Community’s history. The Foundation has been challenged to raise \$16 million to support capital expansion and renovation. As of August 31, 2019, the Foundation has raised \$8.2 million. Pledges are being accepted for up to five years for gifts over \$100,000 and four years or less for smaller gifts. As noted above, Board members have personally committed \$2.7 million to date.

In addition to the above capital campaigns, the Foundation raises philanthropic support for multiple programs, including the Annie’s Angel Fund which awards quality of life grants to St. Ann’s Community seniors with limited means for an enjoyable and active life. The funds raised through this fund are used for monthly resident support for beauty shop visits, footwear, telephone charges, newspaper subscriptions, and other items. In 2018, 302 residents were served through the monthly resident support. The funds are also used for activities such shopping, cultural and sports excursions and lunch “out on the town”. The Foundation also awarded \$43,651 for Special Needs to allow for spontaneous outings as well as planned picnics and parties for the residents.

In addition, the Foundation raises funds for a scholarship program offering financial assistance to eligible St. Ann’s Community employees to help staff members realize their education goals thus improving their lives. Scholarships are awarded according to the needs of the individual. As of June 30, 2019, the Foundation has gifted more than 357 scholarships totaling \$328,000.

As of August 31, 2019, the Foundation held approximately \$38M combined cash and investments, of which, \$12M is temporarily restricted and \$5.4M is held in perpetuity. The \$12M may be released from restriction by action of the Foundation or the passage of time.

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## SERVICE AREA AND COMPETITION

### Overview of the Obligated Group Market Area

The Obligated Group's primary market area is Monroe County, New York. The Obligated Group's market area spans several townships within a 15 mile radius and includes the towns of Irondequoit, Greece, Penfield, Fairport, Brighton, Pittsford, and Webster. There are over 12,000 seniors, age 65+, with a higher per capita income than that for the population as a whole within the market area. Competing not-for-profit senior communities include: Episcopal Senior Life, Jewish Senior Life, St. John's Senior Living and Rochester Friendly Senior Services. There are multiple hospital systems in the area with Rochester Regional Health providing the largest volume of referrals for our skilled nursing and transitional care. All hospital systems also operate competitive independent, assisted and skilled nursing facilities.

### Marketing the Obligated Group's Services: A Centralized Approach

The target market for potential residents is adults over the age of 65, in the primary geographical area of Monroe County, as well as those with ties to the Catholic Church. SAGRI is the only Catholic senior healthcare and housing provider in the Rochester area. With over 3,000 people served annually, SAGRI was the first in Rochester to centralize the admissions and sales functions. This one-stop-shop philosophy increased internal referrals to all service lines and raised closing ratios. All team members have a working knowledge of our services and utilize the same lead base system. This affords the ability to create records with detailed information so that prospects do not have to repeat themselves again if they look at other services within the system. Customer satisfaction was immediately elevated, and same day cross-referrals were made to team members to initiate appointments. Specifically when speaking to prospects interested in independent living, this integrated approach highlights our continuum of care which is a main driver for prospects looking at a St. Ann's Community. SAGRI launched a significant branding campaign at a time when other senior communities relied only on hospital referrals and word of mouth for admissions. This continued focus on branding resulted in achieving the highest top of mind recognition when consumers were asked about senior healthcare and housing providers (documented by Knowledge Systems Research).

Some of the initiatives of the sales and marketing focus for independent living include:

1. Utilizing a relationship approach and building long-term relationships through learning about the person while the client discovers the community. In learning about the prospect's needs, SAGRI can customize the presentation toward their specific requirements.
2. Targeting patients that have been treated in the St. Ann's Community's transitional care/rehab center, advertisements including print, digital, TV, social media, website, and age and income-qualified direct mail specifically. The website receives over 120,000 website visits and over 1,000 personal "contact us" inquiries, annually.
3. Inviting prospects to on-site events, where people can experience the independent lifestyle we offer. SAGRI has had over 1,000 people at events over the last year, many of whom were first time visitors. In addition to holding regularly scheduled open houses, we focus on developing continuing education events. These events span a wide range of interests with a focus on activities that appeal to potential residents but also their adult children. Some of those include health and wellness and technology seminars, cooking demonstrations, community concerts, and other senior-focused topics.



## SELECTED UTILIZATION AND FINANCIAL INFORMATION

### Historical Utilization

The table below summarizes historical average occupancy statistics of the Obligated Group facilities for the last three fiscal years and the six months ended August 31, 2018 and August 31, 2019.

|   | Fiscal Years Ended |               |                      | Eight Months Ended |                      |
|---|--------------------|---------------|----------------------|--------------------|----------------------|
|   | 12/31/2016         | 12/31/2017    | 12/31/2018           | 8/31/2018          | 8/31/2019            |
| <b><u>Independent Living</u></b>          |                    |               |                      |                    |                      |
| Available Units                           | 246                | 246           | 246                  | 246                | 246                  |
| Average Occupancy                         | 229.2              | 228           | 220.8                | 220.4              | 224.3                |
| Percentage Occupancy                      | 93.17%             | 92.68%        | 89.76%               | 89.6%              | 91.18%               |
| <b><u>Assisted Living</u></b>             |                    |               |                      |                    |                      |
| Available Units                           | 51                 | 51            | 51                   | 51                 | 51                   |
| Average Occupancy                         | 49.4               | 50.1          | 48.5                 | 48.2               | 49.2                 |
| Percentage Occupancy                      | 96.86%             | 98.24%        | 95.10%               | 94.5%              | 96.47%               |
| <b><u>Memory Care Assisted Living</u></b> |                    |               |                      |                    |                      |
| Available Units                           | 24                 | 24            | 24                   | 24                 | 24                   |
| Average Occupancy                         | 22.4               | 21.2          | 20.2                 | 19.6               | 21.3                 |
| Percentage Occupancy                      | 93.33%             | 88.33%        | 84.17%               | 81.7%              | 88.75%               |
| <b><u>Skilled Nursing</u></b>             |                    |               |                      |                    |                      |
| Available Beds                            | 542                | 542           | 542                  | 542                | 542                  |
| Average Occupancy                         | 516.8              | 510.9         | 478.1 <sup>(1)</sup> | 481.0              | 450.2 <sup>(1)</sup> |
| Percentage Occupancy                      | 95.35%             | 94.26%        | 88.21%               | 88.75%             | 83.06%               |
| <b><u>Total</u></b>                       | <b>863</b>         | <b>863</b>    | <b>863</b>           | <b>863</b>         | <b>863</b>           |
| <b>Average Occupied Units</b>             | <b>817.8</b>       | <b>810.2</b>  | <b>767.6</b>         | <b>769.2</b>       | <b>745</b>           |
| <b>Percentage Occupancy</b>               | <b>94.76%</b>      | <b>93.88%</b> | <b>88.95%</b>        | <b>89.13%</b>      | <b>86.33%</b>        |

<sup>(1)</sup>Dip in occupancy particularly in St. Ann's Home due to renovation related to projects discussed herein.

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Historical Turnover in Independent Living Units and Assisted Living Units

The following shows turnover of Independent Living units and Assisted Living units (including Memory Care Assisted Living units) for the last three Fiscal Years and the eight months ended August 31, 2018 and August 31, 2019.

Unit Turnover for Independent and Assisted Living

|  | Fiscal Years ended |                   |                   | 8 months ended    |                   |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|
|  | <u>12/31/2016</u>  | <u>12/31/2017</u> | <u>12/31/2018</u> | <u>08/31/2018</u> | <u>08/31/2019</u> |
| Independent Living                     | 48                 | 62                | 54                | 21                | 37                |
| Assisted Living, Including Memory Care | 47                 | 40                | 49                | 31                | 34                |

More than half of the Independent Living turnover is created as residents move to Assisted Living, Memory Care or Skilled Nursing facilities in the St Ann’s Community to receive more care, with the balance of the Independent Living and Assisted Living turnovers being primarily attributable mainly to moving to skilled nursing (88%), a small number attributable to death (10%), and the balance being discharged to a home setting.

**Skilled Nursing Payor Mix**

The following chart shows the payor mix for St. Ann’s Home for the last three completed fiscal years and the eight months ended August 31, 2018 and August 31, 2019.

St. Ann’s Home Skilled Nursing Facility Payor Mix

|                      | Fiscal Years ended |                   |                   | 8 months ended   |                  |
|----------------------|--------------------|-------------------|-------------------|------------------|------------------|
|                      | <u>12/31/2016</u>  | <u>12/31/2017</u> | <u>12/31/2018</u> | <u>8/31/2018</u> | <u>8/31/2019</u> |
| Medicare*            | 5.1%               | 15.1%             | 9.8%              | 10.4%            | 8.7%             |
| Medicaid             | 69.5%              | 72.0%             | 78.1%             | 77.8%            | 78.2%            |
| Commercial Insurance | 12.5%              | 0.8%              | 0.4%              | 0.5%             | 0.5%             |
| Private              | 12.9%              | 12.1%             | 11.7%             | 11.3%            | 12.6%            |

\*includes Medicare Advantage & Medicare Managed Care

The following chart shows the payor mix for the Care Center for the last three completed fiscal years and the eight months ended August 31, 2018 and August 31, 2019.

St. Ann’s Care Center Skilled Nursing Facility Payor Mix

|                      | Fiscal Years ended |                   |                   | 8 months ended   |                  |
|----------------------|--------------------|-------------------|-------------------|------------------|------------------|
|                      | <u>12/31/2016</u>  | <u>12/31/2017</u> | <u>12/31/2018</u> | <u>8/31/2018</u> | <u>8/31/2019</u> |
| Medicare*            | 0.9%               | 1.6%              | 2.4%              | 2.1%             | 1.6%             |
| Medicaid             | 40%                | 44.4%             | 46.5%             | 48.9%            | 37.2%            |
| Commercial Insurance | 1.6%               | 0%                | 0%                | 0%               | 0%               |
| Private              | 57.5%              | 54.0%             | 51.2%             | 49.0%            | 61.2%            |

\*includes Medicare Advantage & Medicare Managed Care

## Summary Balance Sheet and Summary Statement of Operations

The following summary balance sheet and summary statement of operations of the Obligated Group for the last three Fiscal Years was derived from the audited financial statements of SAGRI. This summary should be read in conjunction with the audited financial statements and related notes included in this Official Statement as Appendix B-”Consolidated Audited Financial Statements of St. Ann’s of Greater Rochester, Inc. and Controlled Entities for the Years Ended December 31, 2018 and 2017”. The information for the eight-month periods ended August 31, 2018 and August 31, 2019 was derived from the internal unaudited financial statements of the Obligated Group.

### Summary Balance Sheet

|   | December 31 Audited   |                       |                       | August 31 Unaudited   |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2016                  | 2017                  | 2018                  | 2018                  | 2019                  |
| Unrestricted Cash & Investments         | \$ 46,645,000         | \$ 50,924,484         | \$ 43,713,328         | \$ 46,365,334         | \$ 43,713,973         |
| Other Current Assets                    | \$ 10,564,784         | \$ 13,085,406         | \$ 12,580,540         | \$ 14,290,807         | \$ 15,143,745         |
| Property & Equipment                    | \$ 96,931,216         | \$ 94,302,944         | \$ 91,947,596         | \$ 90,727,408         | \$ 89,996,673         |
| Other Assets                            | \$ 7,764,774          | \$ 9,108,261          | \$ 10,857,839         | \$ 8,986,793          | \$ 11,635,885         |
| <b>Total Assets</b>                     | <b>\$ 161,905,774</b> | <b>\$ 167,421,095</b> | <b>\$ 159,099,303</b> | <b>\$ 160,370,342</b> | <b>\$ 160,490,276</b> |
|   |                       |                       |                       |                       |                       |
| Current Liabilities                     | \$ 12,985,543         | \$ 12,821,056         | \$ 13,775,466         | \$ 12,002,239         | \$ 17,963,998         |
| Long-Term Debt                          | \$ 73,439,682         | \$ 70,919,019         | \$ 68,309,175         | \$ 69,239,311         | \$ 66,570,562         |
| Other Liabilities                       | \$ 31,348,584         | \$ 34,224,714         | \$ 30,192,238         | \$ 31,920,846         | \$ 32,911,816         |
| Net Assets                              | \$ 44,131,965         | \$ 49,456,306         | \$ 46,822,424         | \$ 47,207,946         | \$ 43,043,900         |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 161,905,774</b> | <b>\$ 167,421,095</b> | <b>\$ 159,099,303</b> | <b>\$ 160,370,342</b> | <b>\$ 160,490,276</b> |

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## Summary Statement of Operations

|   | <u>December 31 Audited</u> |                     |                      | <u>August 31 Unaudited</u> |                      |
|---|----------------------------|---------------------|----------------------|----------------------------|----------------------|
|   | <u>2016</u>                | <u>2017</u>         | <u>2018</u>          | <u>2018</u>                | <u>2019</u>          |
| Net Service Revenue   | \$81,444,922               | \$80,925,041        | \$76,458,080         | \$49,907,745               | \$49,811,590         |
| Other   | \$1,317,065                | \$1,872,317         | \$1,735,752          | \$879,265                  | \$949,671            |
| <b>Total Operating Revenue</b>                                      | <b>\$82,761,987</b>        | <b>\$82,797,358</b> | <b>\$78,193,832</b>  | <b>\$50,787,010</b>        | <b>\$50,761,261</b>  |
| Operating Expenses  | \$72,793,281               | \$69,119,914        | \$73,381,419         | \$49,104,417               | \$49,207,299         |
| Interest Expense  | \$2,533,722                | \$2,662,263         | \$2,712,753          | \$1,821,661                | \$1,771,843          |
| Depreciation  | \$8,227,024                | \$8,394,545         | \$8,492,038          | \$5,573,233                | \$5,599,786          |
| Total Operating Expenses  | <b>\$83,554,027</b>        | <b>\$80,176,722</b> | <b>\$84,586,210</b>  | <b>\$56,499,311</b>        | <b>\$56,578,928</b>  |
| <b>Operating Income (Loss)</b>                                      | <b>\$(792,040)</b>         | <b>\$2,620,636</b>  | <b>\$(6,392,378)</b> | <b>\$(5,712,301)</b>       | <b>\$(5,817,667)</b> |
| Investment Income - net   | \$2,371,597                | \$3,736,718         | \$(875,803)          | \$1,060,141                | \$2,613,567          |
| Other   | \$5,636,398                | \$(2,304,703)       | \$3,348,726          | \$2,019,614                | \$(1,902,442)        |
| <b>Total Other Changes in Net Assets Without Donor Restrictions</b> | <b>\$8,007,995</b>         | <b>\$1,432,015</b>  | <b>\$2,472,923</b>   | <b>\$3,079,755</b>         | <b>\$711,125</b>     |
| <b>Increase in Net Assets Without Donor Restrictions</b>            | <b>\$7,215,955</b>         | <b>\$4,052,651</b>  | <b>\$(3,919,455)</b> | <b>\$(2,632,546)</b>       | <b>\$(5,106,542)</b> |

### Debt Service Coverage Ratio and Other Financial Ratios

The following table reflects the debt service coverage ratio and other financial ratios for the Obligated Group for the periods indicated. The table has been prepared by management of SAGRI and such ratios have been calculated in accordance with the provisions of the Master Indenture. The following summary was derived from the audited financial statements of SAGRI. This summary should be read in conjunction with the audited financial statements and related notes included in this Official Statement as Appendix B -" Consolidated Audited Financial Statements of St. Ann's of Greater Rochester, Inc. and Controlled Entities for the Years Ended December 31, 2018 and 2017."

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## Debt Service Coverage Ratio and Other Financial Ratios

|  | For period ending 12/31 |                   |                  | For Period ending 08/31 |                  |
|--|-------------------------|-------------------|------------------|-------------------------|------------------|
|  | 2016                    | 2017              | 2018             | 2018                    | 2019             |
| <b>Historical Debt Service Coverage Ratio</b>                      |                         |                   |                  |                         |                  |
| Change in Net Assets without Donor Restriction                     | \$7,215,955             | \$4,052,651       | (\$3,919,455)    | (\$2,632,546)           | (\$5,106,542)    |
| Plus:  |                         |                   |                  |                         |                  |
| Depreciation & amortization  | 8,227,024               | 8,394,545         | 8,492,038        | 5,573,234               | 5,599,786        |
| Interest expense   | 2,533,722               | 2,662,263         | 2,712,753        | 1,821,661               | 1,771,843        |
| Unrealized (Gains)/Losses on Investment                            | (1,408,504)             | (2,427,099)       | 2,184,966        | (562,494)               | (1,711,262)      |
| Change in valuation of SWAPS (Gain)/Loss                           | (711,667)               | (534,942)         | (865,389)        | (1,471,481)             | 2,531,845        |
| Entrance fee deposits  | 499,322                 | (543,314)         | 231,455          | 49,589                  | (392,244)        |
| Less:  |                         |                   |                  |                         |                  |
| Pension liability adjustment                                       | 2,487,531               | (3,217,226)       | 1,787,633        | 0                       | 0                |
| Entrance fee amortization  | 108,442                 | 137,919           | 89,088           | 54,966                  | 58,428           |
| <b>Net Income Available for Debt Service</b>                       | <b>13,759,879</b>       | <b>14,683,411</b> | <b>6,959,647</b> | <b>2,722,997</b>        | <b>2,634,998</b> |
| Historical Annual Debt Service Requirement                         | 4,877,500               | 5,096,509         | 5,375,852        | 3,456,545               | 3,462,043        |
| Historical Debt Service Coverage Ratio (x)                         | <b>2.82</b>             | <b>2.88</b>       | <b>1.29</b>      | <b>0.79</b>             | <b>0.76</b>      |
| <b>Other Financial Ratios</b>                                      |                         |                   |                  |                         |                  |
| Unrestricted Cash & Investments                                    | 46,645,000              | 50,924,484        | 43,713,325       | 46,365,332              | 43,713,973       |
| Outstanding Long Term Debt (inc. Current Portion) <sup>(1)</sup>   | 77,767,419              | 75,210,892        | 72,562,936       | 73,450,253              | 70,740,098       |
| Historical Unrestricted Cash & Investments to Long-Term Debt Ratio | 59.98%                  | 67.71%            | 60.24%           | 63.12%                  | 61.80%           |
| Daily Cash Operating Expenses                                      | \$206,375               | \$196,663         | \$208,477        | \$209,572               | \$209,791        |
| Historical Days Cash on Hand Ratio                                 | 226                     | 259               | 210              | 221                     | 208              |

<sup>(1)</sup> Includes intercompany loan for St. Ann's Senior Housing

## Management's Discussion of Recent Financial Performance

Fiscal year ended December 31, 2016. The Obligated Group focused on reducing the days outstanding in accounts receivable and cash flow. As part of the focus on cash flow, the Obligated Group saw an increase in the case mix index, which led to a higher Medicaid reimbursement rate. Occupancy was steady in 2016, and, of the three most recent fiscal years, 2016 had the highest occupancy in all of the Obligated Group communities. In 2016, the Obligated Group saw a slight uptick in revenue as New York State began moving the fee for service Medicaid to Managed Long Term Care contracts. SAGRI was very successful in negotiating rates higher than the benchmark rates, and revenue was slightly increased due to this. This is the first year that the Home and the Heritage received \$1.1 million in Universal Settlement payments from the State related to past Medicaid rate appeals.

Operating expenses were slightly higher in 2016 which was related to a one-time bonus payment to all staff. This was done due to the inflow of cash from the Universal Settlement stated above, as well as a tremendous reduction in bad debt expense due to prior year recoveries made in 2016 from multiple payor sources.

St. Ann's Home and the Care Center had an average occupancy slightly higher than 95% for 2016 averaging approximately 517 out of 542 beds available. In late 2015, the Care Center reverted 12 post-acute rehabilitation beds to long term care, and because of this, the Care Center saw a slight uptick in private pay residents.

The independent living units had an average occupancy of 93% with 229 units out of 246 being occupied during the year.

The assisted living units averaged 49 out of 51 available units occupied during the year.

The Obligated Group also received just over \$1.1 million in contributions and Foundation support for operating activities. These activities focused on strategic projects that were approved by the Foundation Board, as well as support for a cost accounting system to support SAGRI's strategic plan related to repositioning St. Ann's Community.

Fiscal Year ended December 31, 2017. The Home and the Heritage received the third installment of five of Universal Settlement, which is recorded on the audited financial statements as "prior year revenue". The Obligated Group also strategically moved approximately \$9 million from operating accounts to investment accounts for growth opportunities. The Obligated Group also completed renovations for about one third of all of the apartment and cottages in independent living.

The Obligated Group also successfully sought and was awarded back payment of outstanding Medicaid payments. The entire award was for \$860,000. This resulted in a bad debt recovery for the year, which also resulted in a reduction of \$550,000 in the allowance for bad debt reserve. Overall, operating revenue for 2017 was only approximately \$35,000 greater than 2016.

Operating expenses were decreased in 2017 because of the bad debt recovery.

Occupancy in skilled nursing slightly decreased in 2017 and averaged 511 out of 542 available units. The decrease in occupancy was in the transitional/post-acute rehabilitation unit. In 2017, one of the largest rehabilitation payors engaged a utilization management company to actively reduce the length of stay in rehabilitation. The Obligated Group saw an almost 30% decrease in the length of stay in the post-acute rehabilitation occupancy.

Occupancy in independent living slightly decreased in 2017. Chapel Oaks saw a dip in occupancy as units that had been occupied since opening in 1995 began to turnover at a rate higher than the "normal" turnover rate. As there is no waiting list, the units remained vacant for longer than historical averages. Most of the residents that left Chapel Oaks stayed within the St. Ann's Community and went to assisted living, memory care or skilled nursing.

Occupancy in assisted living increased slightly in 2017 and averaged 50 out of 51 units occupied. Memory care assisted living dipped slightly in 2017 and had an average occupancy of 21 out of 24 units occupied.

The Obligated Group also received approximately \$705,000 from the Foundation to support operational and capital activities. Of the \$705,000 received, \$30,000 was received to support capital. There was also \$363,000 given to the Obligated Group to support St. Ann's Community's strategic initiatives related to diversifying senior care, creating strategic partnerships with local healthcare communities, employee engagement activities to increase retention in the workforce, as well as rebranding St. Ann's Community in preparation for repositioning.

Fiscal Year ended December 31, 2018. The Obligated Group saw a decrease in revenue in 2018 due to a renovation project in the St. Ann's Home. St. Ann's Home, as mentioned above related to the strategic repositioning, reduced the number of post-acute rehabilitation beds from 72 beds to 34 beds, and moved the rehabilitation unit from one building to another. This reduction was largely due in part to the decreased occupancy, decreased reimbursement from the Medicare managed care payor sources, as well as diminishing lengths of stay due to aggressive utilization management by the Medicare managed care payors. For most of 2018, there were 46 beds off-line in order to accommodate the renovation project and movement of residents from renovated floors. Because of this, the Obligated Group saw a decrease in revenue of approximately \$5 million. The Home and the Heritage received the fourth of five Universal Settlement payments from New York State.

The Home also spent \$3.2 million to renovate the 9th floor of the St. Ann's Home in order to move the rehabilitation unit, and due to holding beds available to move residents, the Home had almost \$5 million in transitional revenue loss.

In 2018, the Obligated Group also continued renovating one third of the apartments and cottages in the independent living communities.

The Home received a \$493,000 grant to expand their adult day services to a new location that could accommodate 60 participants (an increase of 30 participants from previous location).

In 2018, there was a slight increase in operating expenses, mostly related to mandatory minimum wage increases and compression related to the mandatory increase.

Occupancy in independent living dipped in 2018 from 2017, and this was mainly due to the occupancy on the Chapel Oaks campus.

Occupancy in skilled nursing dipped in 2018 due to the renovation project and beds being held open to move residents from the 9th floor, as well as in preparation for the upcoming renovation of floors 3-8 in the St. Ann's Home.

There was a slight uptick in the Medicaid payor mix in the skilled nursing facilities, mainly the St. Ann's Home. Almost all of the increase was due to current residents exhausting resources and needing to apply for Medicaid.

Comparison of Eight Months ended August 31, 2018 and August 31, 2019. The Obligated Group saw almost no change in revenue between August 31, 2018 and August 31, 2019. Net Service Revenue was down slightly in 2019 due to St. Ann's Home having beds offline because of the renovation project. The Care Center, which was averaging about a 49% Private Pay payor mix in 2018, saw an increase to 60% in 2019. Operating expenses, year over year, in comparison were up by approximately 0.14%. The Obligated Group had an operating loss in both August 31, 2018 and August 31, 2019. During both time periods, St. Ann's Home was in a period of transition due to renovation. In 2018, St. Ann's Home was holding beds for residents that were being moved during the 9th floor renovation. In 2019, St. Ann's Home was holding beds for residents that were affected by the construction and renovation that began on the 8th and continuing to the 7<sup>th</sup> floor. Because of this, the Home is experiencing transitional losses which account for the large deficit year to date.

Investment income was \$1.55 million higher in 2019 due to strong market conditions. However, the change in fair value of the derivative financial instruments decreased significantly from 2018 to 2019 causing the other income to be higher in 2018 than 2019.

## **Budgeting Process**

The Obligated Group's budget process begins in August and ends with presentation to the Finance Committee in early November. Full Board approval of the budget (as recommended by the Finance Committee) follows in mid-November. Budget targets are formed by taking a variety of factors into consideration. Once bottom line and revenue targets are established, operational directors and staff put together a first draft of needed expenses to care for patients and residents. FTE budgets are adjusted as needed. Other expense budgets are worked on by the managers charged with performing within the budget parameters.

## **Investment Policy and Historic Portfolio Returns**

The SAGRI Investment Policy is monitored on an ongoing basis by the Investment Committee of the SAGRI Board of Directors. The investment results and asset allocations are reviewed by the Investment Committee on a quarterly basis, including presentations by the investment advisor, Alesco Advisors, at least four times per year. Alesco Advisors of Rochester, New York has assisted the Board in the overall evaluation of the investment portfolio, proposed changes to the asset allocations and the types of investment vehicles utilized to assist with the development of an achievable return within an acceptable risk tolerance threshold. This is monitored by Alesco Advisors and reported to the Investment Committee on a regular basis.

SAGRI's target portfolio mix is currently 22% Fixed Income, 11% Real Return Assets, 66% Equity, and 1% Cash. At 12/31/2018, the 1 Year return on the Portfolio (net of investment management fees) was -6.77%, the 3 Year annualized return was 6.17% and the 10 Year annualized return was 4.16%.

SAGRI's Investment Committee has established performance objectives for the Portfolio that target an achievable growth rate while maintaining an acceptable risk tolerance level. As of each of the years ended December 31, 2016, 2017 and 2018, and as of June 30, 2019 objectives were achieved.

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## **Other Indebtedness**

Upon the issuance of the Series 2019 Bonds, the long-term indebtedness of the Obligated Group will consist only of the Series 2019 Bonds, See “ANNUAL DEBT SERVICE REQUIREMENTS” in the Official Statement for a description of the annual debt service requirements for the Series 2019 Bonds and the application of the proceeds thereof as described herein.

## **Future Plans**

SAGRI is currently exploring repositioning, reinvestment and expansion opportunities with other communities and service lines. SAGRI is also currently exploring options of entering into collaborative efforts to provide geriatric primary care services to the community, expansion of the Adult Day Health Services program, and expansion to outpatient therapy services. SAGRI is also actively seeking opportunities with mergers and acquisitions to expand senior independent and assisted housing lines.

In August 2019, SAGRI signed a lease to move its medical model Adult Day Program into Skyview on the Ridge as well as expand its services from the current 30 participants to 60 participants. It is anticipated that the Adult Day Program will move into the new space in late 2020.

SAGRI will also continue to seek opportunities for partnerships with affordable housing providers, such as the Durand Senior Housing project, to expand its service lines to the affordable market.

## **OTHER INFORMATION**

### **Litigation and Investigations**

Except as described below, no litigation, proceedings or investigations are pending or, to the Obligated Group's knowledge, threatened against the Obligated Group except (i) litigation, proceedings or investigations in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of Obligated Group management, will be entirely within the applicable insurance policy limits (subject to applicable deductibles), or (ii) litigation, proceedings or investigations which if adversely determined will not, in the opinion of Obligated Group management, have a material adverse effect on the operations or condition, financial or otherwise, of the Obligated Group. The Obligated Group also has advised that there is no litigation pending or, to the knowledge of the Obligated Group, threatened, which in any manner questions the right of the Obligated Group to enter into the financing described herein.

On October 25, 2019, a coalition representing statewide and regional nursing home and continuing care providers, including SAGRI, filed a lawsuit in the New York State Supreme Court against the Commissioner of Health of the State of New York and the New York State Department of Health (“NYSDOH”) for violation of federal and state law stemming from actions taken in July 2019 that will reduce Medicaid funding by more than \$352M on an annual basis to nursing homes across the State of New York.<sup>(1)</sup> The lawsuit alleges that the changes in the methodology for adjusting nursing home Medicaid reimbursement rates did not, among other items, receive the required prior approval from the federal government’s Center for Medicare and Medicaid Services. On November 7, 2019, a preliminary injunction was issued prohibiting NYSDOH from implementing the adjusted nursing home Medicaid reimbursement rates and directing the NYSDOH to use the rates in effect as of June 30, 2019.

<sup>(1)</sup> LeadingAge New York, Inc.; et al against Howard A. Zucker, M.D., J.D., as Commissioner of Health of the State of New York; and The New York State Department of Health, filed October 25, 2019 with the State of New York, Supreme Court, County of Albany.

Pursuant to New York State law, before senior residential community units are offered or sold an offering plan is to be submitted to the New York State Office of the Attorney General (“OAG”). Each initial offering plan is valid for twelve months from the date OAG accepts the plan for filing. The term of the initial offering plan may be extended by an amendment of the plan accepted for filing by OAG. Cherry Ridge’s initial Offering Plan (“Cherry Ridge Offering Plan”) was accepted for filing on February 28, 2003. The Cherry Ridge Offering Plan was subsequently amended and accepted by OAG twelve times since that date with the expiration of the last amendment being February 14, 2019. After the filing of the 13th Amendment to the Cherry Ridge Offering Plan (the “13th Amendment”), Cherry Ridge offered or sold 5 senior living units prior to the 13th Amendment being accepted for filing by OAG. As a result, Cherry Ridge has entered into an assurance of discontinuance with the OAG (the “Assurance of Discontinuance”), in which OAG and Cherry Ridge acknowledged the sale of these units and that date of acceptance of the 13th Amendment is to be August 6, 2019. Subsequent to the issuance of the Assurance of Discontinuance, on November 26, 2019, St Ann’s was advised by the OAG that it will need to resubmit the broker dealer registration to the OAG prior the issuance of the 13th Amendment acceptance letter. Cherry Ridge anticipates submitting the broker dealer registration to the OAG to occur no later than January 31, 2020.

### **Insurance**

The insurance maintained by the Obligated Group covers risks in the amounts and of the types customarily insured against by entities of similar size and risk. Risk coverage is reviewed annually by SAGRI’s Senior Vice President/Chief Financial Officer in conjunction with SAGRI’s insurance broker.

**APPENDIX B**

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF  
ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

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**ST. ANN'S OF GREATER ROCHESTER, INC.  
AND CONTROLLED ENTITIES**

**Consolidated Financial Statements as of  
December 31, 2018 and 2017  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

March 18, 2019

To the Board of Directors of  
St. Ann's of Greater Rochester, Inc.:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Ann's of Greater Rochester, Inc. and controlled entities (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Ann's of Greater Rochester, Inc. and controlled entities as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, St. Ann's of Greater Rochester, Inc. and controlled entities implemented Accounting Standards Update 2016-14, and the effects have been included in these consolidated financial statements. Our opinion is not modified with respect to this matter.

### **Report on Supplementary Information**

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

*Bonadio & Co., LLP*

**ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

|   | <u>2018</u>           | <u>2017</u>           |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| CURRENT ASSETS:   |                       |                       |
| Cash and cash equivalents                                 | \$ 8,685,238          | \$ 12,571,449         |
| Resident accounts receivable - net                        | 7,317,796             | 7,546,041             |
| Pledges receivable - current portion                      | 397,054               | 41,000                |
| Other accounts receivable                                 | 453,021               | 145,902               |
| Due from third party payors - current portion             | 682,825               | 617,034               |
| Prepaid expenses and other current assets                 | <u>2,148,291</u>      | <u>2,845,877</u>      |
| Total current assets                                      | <u>19,684,225</u>     | <u>23,767,303</u>     |
| PROPERTY AND EQUIPMENT, net                               | <u>91,951,448</u>     | <u>94,305,652</u>     |
| OTHER ASSETS:   |                       |                       |
| Entrance fee and security deposits                        | 4,931,403             | 5,150,882             |
| Investments   | 81,766,771            | 88,024,395            |
| Other investments   | 613,159               | 671,769               |
| Pledges receivable - net of current portion and allowance | 800,782               | 5,212                 |
| Due from third party payors - net of current portion      | 163,653               | 238,460               |
| Beneficial interest in remainder trusts                   | 884,628               | 1,120,389             |
| Beneficial interest in perpetual trusts                   | 2,473,979             | 2,711,819             |
| Investments - equity method                               | <u>1,719,251</u>      | <u>1,436,980</u>      |
| Total other assets  | <u>93,353,626</u>     | <u>99,359,906</u>     |
| Total assets  | <u>\$ 204,989,299</u> | <u>\$ 217,432,861</u> |
| <b>LIABILITIES AND NET ASSETS</b>                         |                       |                       |
| CURRENT LIABILITIES:                                      |                       |                       |
| Accounts payable  | \$ 2,372,744          | \$ 2,495,008          |
| Accrued expenses  | 6,880,628             | 6,296,234             |
| Debt - current portion                                    | 2,752,176             | 2,663,100             |
| Due to third party payors - current portion               | 371,352               | -                     |
| Deferred revenue  | <u>463,955</u>        | <u>427,669</u>        |
| Total current liabilities                                 | <u>12,840,855</u>     | <u>11,882,011</u>     |
| LONG-TERM LIABILITIES:                                    |                       |                       |
| Debt - net  | 68,309,175            | 70,919,019            |
| Charitable gift annuity obligations                       | 63,884                | 52,570                |
| Accrued pension cost                                      | 22,078,714            | 24,961,383            |
| Due to third party payors - net of current portion        | 257,930               | 21,352                |
| Refundable fees and deposits                              | 3,522,000             | 3,796,590             |
| Deferred revenues from entrance fees                      | 600,079               | 663,517               |
| Deferred revenue  | 58,956                | 50,505                |
| Security deposits   | 987,353               | 956,997               |
| Fair value of derivative financial instruments            | 371,325               | 1,236,714             |
| Deferred compensation                                     | 613,159               | 671,769               |
| Other accrued liabilities                                 | <u>117,990</u>        | <u>123,880</u>        |
| Total long-term liabilities                               | <u>96,980,565</u>     | <u>103,454,296</u>    |
| Total liabilities   | <u>109,821,420</u>    | <u>115,336,307</u>    |
| NET ASSETS:   |                       |                       |
| Without donor restrictions                                | 69,352,711            | 76,490,464            |
| With donor restrictions                                   | <u>25,815,168</u>     | <u>25,606,090</u>     |
| Total net assets  | <u>95,167,879</u>     | <u>102,096,554</u>    |
| Total liabilities and net assets                          | <u>\$ 204,989,299</u> | <u>\$ 217,432,861</u> |

The accompanying notes are an integral part of these statements.



**ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

|  | 2018                          |                            |                      | 2017                          |                            |                       |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|-----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
| <b>OPERATING REVENUE AND OTHER SUPPORT:</b>                |                               |                            |                      |                               |                            |                       |
| Net resident service revenue                               | \$ 74,638,561                 | \$ -                       | \$ 74,638,561        | \$ 80,371,593                 | \$ -                       | \$ 80,371,593         |
| Prior year revenue   | 1,819,519                     | -                          | 1,819,519            | 553,448                       | -                          | 553,448               |
| Total net resident service revenue                         | <u>76,458,080</u>             | <u>-</u>                   | <u>76,458,080</u>    | <u>80,925,041</u>             | <u>-</u>                   | <u>80,925,041</u>     |
| Contributions  | 520,515                       | 2,552,538                  | 3,073,053            | 848,302                       | 1,001,164                  | 1,849,466             |
| Foundation operating support                               | 937,268                       | -                          | 937,268              | 704,996                       | -                          | 704,996               |
| Other operating revenue                                    | 1,735,752                     | -                          | 1,735,752            | 1,872,317                     | -                          | 1,872,317             |
| Total operating revenue and other support                  | <u>79,651,615</u>             | <u>2,552,538</u>           | <u>82,204,153</u>    | <u>84,350,656</u>             | <u>1,001,164</u>           | <u>85,351,820</u>     |
| <b>OPERATING EXPENSES:</b>                                 |                               |                            |                      |                               |                            |                       |
| Program  | 71,472,328                    | 45,679                     | 71,518,007           | 68,481,320                    | -                          | 68,481,320            |
| Management and general                                     | 14,473,625                    | -                          | 14,473,625           | 13,120,457                    | -                          | 13,120,457            |
| Fundraising  | 109,226                       | -                          | 109,226              | 89,601                        | -                          | 89,601                |
| Total operating expenses                                   | <u>86,055,179</u>             | <u>45,679</u>              | <u>86,100,858</u>    | <u>81,691,378</u>             | <u>-</u>                   | <u>81,691,378</u>     |
| <b>INCOME (LOSS) FROM OPERATIONS</b>                       | <u>(6,403,564)</u>            | <u>2,506,859</u>           | <u>(3,896,705)</u>   | <u>2,659,278</u>              | <u>1,001,164</u>           | <u>3,660,442</u>      |
| <b>OTHER INCOME (EXPENSES):</b>                            |                               |                            |                      |                               |                            |                       |
| Investment income (loss) - net                             | (2,957,541)                   | (1,325,128)                | (4,282,669)          | 8,454,608                     | 2,865,703                  | 11,320,311            |
| Non-operating expenses                                     | (30,000)                      | -                          | (30,000)             | (30,000)                      | -                          | (30,000)              |
| Other income   | -                             | -                          | -                    | 100,000                       | -                          | 100,000               |
| Change in fair value of derivative financial instruments   | 865,389                       | -                          | 865,389              | 534,942                       | -                          | 534,942               |
| Change in value of beneficial interest in remainder trusts | -                             | (197,215)                  | (197,215)            | -                             | (472,017)                  | (472,017)             |
| Change in value of beneficial interest in perpetual trusts | -                             | (237,840)                  | (237,840)            | -                             | 240,246                    | 240,246               |
| Net assets released from restrictions                      | 537,598                       | (537,598)                  | -                    | 250,606                       | (250,606)                  | -                     |
| Foundation operating support                               | (937,268)                     | -                          | (937,268)            | (704,996)                     | -                          | (704,996)             |
| Restriction reclass  | -                             | -                          | -                    | 16,500                        | (16,500)                   | -                     |
| Pension liability adjustment                               | 1,787,633                     | -                          | 1,787,633            | (3,217,226)                   | -                          | (3,217,226)           |
| Total other income (expenses) - net                        | <u>(734,189)</u>              | <u>(2,297,781)</u>         | <u>(3,031,970)</u>   | <u>5,404,434</u>              | <u>2,366,826</u>           | <u>7,771,260</u>      |
| <b>CHANGE IN NET ASSETS</b>                                | <u>(7,137,753)</u>            | <u>209,078</u>             | <u>(6,928,675)</u>   | <u>8,063,712</u>              | <u>3,367,990</u>           | <u>11,431,702</u>     |
| <b>NET ASSETS - beginning of year</b>                      | <u>76,490,464</u>             | <u>25,606,090</u>          | <u>102,096,554</u>   | <u>68,426,752</u>             | <u>22,238,100</u>          | <u>90,664,852</u>     |
| <b>NET ASSETS - end of year</b>                            | <u>\$ 69,352,711</u>          | <u>\$ 25,815,168</u>       | <u>\$ 95,167,879</u> | <u>\$ 76,490,464</u>          | <u>\$ 25,606,090</u>       | <u>\$ 102,096,554</u> |

The accompanying notes are an integral part of these statements.

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

|                             | 2018          |                        |             |               | 2017          |                        |             |               |
|-----------------------------|---------------|------------------------|-------------|---------------|---------------|------------------------|-------------|---------------|
|                             | Program       | Management and General | Fundraising | Total         | Program       | Management and General | Fundraising | Total         |
| OPERATING EXPENSES:         |               |                        |             |               |               |                        |             |               |
| Grants to individuals       | \$ 32,977     | \$ -                   | \$ -        | \$ 32,977     | \$ 31,540     | \$ -                   | \$ -        | \$ 31,540     |
| Salaries                    | 36,284,582    | 6,545,090              | -           | 42,829,672    | 35,601,715    | 6,127,454              | -           | 41,729,169    |
| Benefits                    | 6,543,806     | 1,500,753              | -           | 8,044,559     | 5,213,231     | 910,588                | -           | 6,123,819     |
| Payroll taxes               | 2,536,663     | 564,291                | -           | 3,100,954     | 2,655,151     | 442,704                | -           | 3,097,855     |
| Purchased services          | 1,414,365     | 2,493,276              | -           | 3,907,641     | 1,564,780     | 2,225,417              | -           | 3,790,197     |
| Advertising                 | -             | 585,043                | 17,715      | 602,758       | -             | 648,839                | 14,373      | 663,212       |
| Office expense              | 639,908       | 242,526                | 11,405      | 893,839       | 651,090       | 281,936                | 14,191      | 947,217       |
| Information technology      | 273,919       | 966,591                | -           | 1,240,510     | 155,507       | 887,052                | -           | 1,042,559     |
| Occupancy                   | 1,682,946     | 120,043                | -           | 1,802,989     | 1,634,159     | 204,131                | -           | 1,838,290     |
| Travel                      | 155,232       | 111,415                | -           | 266,647       | 100,329       | 116,547                | -           | 216,876       |
| Interest                    | 2,645,663     | -                      | -           | 2,645,663     | 2,590,187     | -                      | -           | 2,590,187     |
| Depreciation                | 8,492,410     | -                      | -           | 8,492,410     | 8,395,067     | -                      | -           | 8,395,067     |
| Insurance                   | 313,915       | 576,268                | -           | 890,183       | 306,225       | 506,710                | -           | 812,935       |
| Equipment rental            | 147,719       | 266,043                | -           | 413,762       | 123,126       | 269,774                | -           | 392,900       |
| Bad debt expense (recovery) | 75,547        | -                      | -           | 75,547        | (1,183,717)   | -                      | -           | (1,183,717)   |
| Food                        | 2,501,274     | 95,425                 | -           | 2,596,699     | 2,512,042     | 82,564                 | -           | 2,594,606     |
| Licenses and taxes          | 380,113       | -                      | 14,297      | 394,410       | 346,745       | 5,665                  | 6,147       | 358,557       |
| Medical supplies            | 2,761,324     | -                      | -           | 2,761,324     | 3,061,019     | -                      | -           | 3,061,019     |
| Assessments                 | 3,569,554     | -                      | -           | 3,569,554     | 3,556,903     | -                      | -           | 3,556,903     |
| Other expenses              | 1,066,090     | 406,861                | 65,809      | 1,538,760     | 1,166,221     | 411,076                | 54,890      | 1,632,187     |
| Total operating expenses    | \$ 71,518,007 | \$ 14,473,625          | \$ 109,226  | \$ 86,100,858 | \$ 68,481,320 | \$ 13,120,457          | \$ 89,601   | \$ 81,691,378 |

The accompanying notes are an integral part of these statements.

**ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

|   | <u>2018</u>         | <u>2017</u>          |
|---|---------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES:  |                     |                      |
| Change in net assets  | \$ (6,928,675)      | \$ 11,431,702        |
| Adjustments to reconcile change in net assets to net cash flow from operating activities: |                     |                      |
| Bad debt expense  | 100,237             | 18,451               |
| Depreciation  | 8,492,410           | 8,395,067            |
| Amortization of debt issuance costs   | 142,331             | 142,437              |
| Amortization of nonrefundable entrance fees   | (89,090)            | (137,919)            |
| Net realized and unrealized (gain) loss on investments                                    | 6,408,960           | (8,696,877)          |
| Change in fair value of derivative financial instruments                                  | (865,389)           | (534,942)            |
| Change in value of beneficial interest in remainder trusts                                | 197,215             | 472,017              |
| Change in value of beneficial interest in perpetual trusts                                | 237,840             | (240,246)            |
| Change in investments - equity method   | (282,271)           | (308,673)            |
| Changes in:   |                     |                      |
| Resident accounts receivable - net  | 173,687             | (939,853)            |
| Pledges receivable  | (1,158,757)         | 95,737               |
| Other accounts receivable   | (307,119)           | 50,390               |
| Prepaid expenses and other current assets   | 697,586             | (1,499,043)          |
| Due to/from third party payors  | 616,946             | (521,235)            |
| Entrance fee deposits   | 219,479             | (515,317)            |
| Security deposits   | 30,356              | (45,116)             |
| Accounts payable  | (122,264)           | 627,979              |
| Accrued expenses  | 584,394             | (1,279,392)          |
| Deferred revenue  | 44,737              | 364,749              |
| Charitable gift annuity obligations   | 11,314              | 997                  |
| Accrued pension cost  | (2,882,669)         | 3,091,121            |
| Deferred revenues from entrance fees  | 25,652              | 352,575              |
| Deferred compensation   | (58,610)            | 97,867               |
| Other accrued liabilities   | (5,890)             | (10,727)             |
| Net cash flow from operating activities   | <u>5,282,410</u>    | <u>10,411,749</u>    |
| CASH FLOW FROM INVESTING ACTIVITIES:  |                     |                      |
| Purchases of property and equipment   | (6,138,206)         | (5,769,021)          |
| Purchases of investments  | (2,211,886)         | (11,389,076)         |
| Sales of investments  | 2,060,550           | 1,621,718            |
| Changes in other investments  | 58,610              | (97,867)             |
| Net cash flow from investing activities   | <u>(6,230,932)</u>  | <u>(15,634,246)</u>  |
| CASH FLOW FROM FINANCING ACTIVITIES:  |                     |                      |
| Repayment of debt   | (2,663,099)         | (2,576,682)          |
| Net proceeds from (repayments of) refundable fees and deposits                            | (274,590)           | 188,013              |
| Net cash flow from financing activities   | <u>(2,937,689)</u>  | <u>(2,388,669)</u>   |
| CHANGE IN CASH AND CASH EQUIVALENTS   | (3,886,211)         | (7,611,166)          |
| CASH AND CASH EQUIVALENTS - beginning of year   | <u>12,571,449</u>   | <u>20,182,615</u>    |
| CASH AND CASH EQUIVALENTS - end of year   | <u>\$ 8,685,238</u> | <u>\$ 12,571,449</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:   |                     |                      |
| Cash paid for interest  | <u>\$ 2,302,924</u> | <u>\$ 2,713,870</u>  |

The accompanying notes are an integral part of these statements.

# ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### 1. SCOPE OF BUSINESS

St. Ann's of Greater Rochester, Inc. ("SAGRI"), a nonprofit corporation, was formed in 1995 to support the long-term mission of the following controlled entities:

- St. Ann's Home for the Aged (the "Home") is a nonprofit corporation that operates a 470-bed residential health care facility providing nursing, rehabilitation, and hospice services to the elderly. The Home also operates Home Connection, a medical adult day care program for the elderly, Home and Heart, a social day care program for the elderly, the Wegman Transitional Care Center, which is a freestanding rehab center, and the Leo Center for Caring, which is a 10-bed hospice unit located within the Wegman Transitional Care Center. The Home's operations are located in Rochester, New York.
- St. Ann's Nursing Home Company, Inc. d/b/a The Heritage (the "Care Center") is a nonprofit corporation that operates St. Ann's Care Center at Cherry Ridge, a 72-bed residential health care facility, providing inpatient post-acute rehabilitation care and palliative care, in Webster, New York;
- Chapel Oaks, Inc. ("Chapel Oaks") is a nonprofit corporation that operates 120 independent living rental units for seniors in Rochester, New York.
- St. Ann's Senior Housing, Inc. d/b/a Cherry Ridge ("Cherry Ridge") is a nonprofit corporation that operates a housing project (the "Project") for seniors in Webster, New York. The Project consists of 55 independent living cottage units, 71 independent living apartment units, 78 licensed assisted living beds (75 total units, 3 of which are two bedroom), and common areas. The 78 licensed assisted living beds include 24 assisted living special care suites. Cherry Ridge established three separate limited liability companies ("LLCs") to facilitate the tax-exempt financing for each of its three lines of business; Cherry Ridge Independent Living, LLC d/b/a Cottages at Cherry Ridge, Cherry Ridge Apartments, LLC d/b/a Apartments at Cherry Ridge, and The Glen at Cherry Ridge, LLC d/b/a Ranier Grove at Cherry Ridge, which is the assisted living and common area component of the Project. Cherry Ridge is the sole member of the LLCs and holds title to the Project.
- St. Ann's Foundation, Inc. (the "Foundation") is a nonprofit corporation that solicits, receives, and maintains funds for the benefit of SAGRI and SAGRI's controlled entities. The Foundation also provides and promotes programs related to the field of geriatrics.

St. Ann's Affordable Housing for Seniors, LLC ("Affordable Housing") is a disregarded entity, solely owned by SAGRI. Affordable Housing was established in 2017 as part of a co-development project with the intent to occupy a community space located in a low-income senior living housing complex.

The Boards of Directors for the above controlled entities are approved by SAGRI.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Consolidation**

The consolidated financial statements include the accounts of SAGRI and its controlled entities (collectively, the "Corporation"). All significant intercompany balances and transactions have been eliminated in consolidation.

### **Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. The Corporation's changes in net assets includes all revenues and expenses without donor restrictions. Resource transfers to and from related parties including interest, gains and losses from derivatives and investments, contributions of and for long-lived assets, non-operating expenses, other income, net assets released from restrictions, Foundation operating support, restriction reclasses, and pension liability adjustments are reported below operating results. The Corporation uses the following classifications of net assets:

- **Net Assets Without Donor Restrictions**

Net assets that are not subject to donor imposed stipulations utilized to carry out the general activities and operations of the Corporation.

- **Net Assets With Donor Restrictions**

Net assets that are subject to donor imposed stipulations. These stipulations may expire by the passage of time, be fulfilled or removed by actions of the Corporation pursuant to those stipulations, or remain in perpetuity.

### **Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for the Corporation's financial statements, including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding the Home's liquidity and availability of resources (Note 3); and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Corporation's fiscal year ending December 31, 2018 and was applied retrospectively with the exception of the disclosures regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these consolidated financial statements. There is no effect on total net assets or changes in net assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Estimates**

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include time deposits, certificates of deposit, and highly liquid debt instruments with original maturities of three months or less. The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

### **Resident Accounts Receivable and Allowance for Doubtful Accounts**

Resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of resident accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay residents (which includes both residents with insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a provision for bad debts when it appears that residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts remains unchanged from the prior year. Total write offs (recoveries) for the Corporation in 2018 were \$36,714 compared to \$(653,511) in 2017. The Corporation's allowance for doubtful accounts was \$375,000 at both December 31, 2018 and 2017.

### **Pledges Receivable**

Pledges receivable represent amounts due under the terms of unconditional donor promises to give and are recorded as receivables in the year the pledge commitment is made. Pledges receivable are stated at the amount expected to be collected. Pledges receivable are valued based on the original pledge amount, adjusted by an allowance for doubtful accounts and adjusted by a discount rate that a market participant would demand. Discounts range from 2.46% - 2.51% for pledges receivable in future periods. It is the Corporation's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected. The Corporation estimates its allowance for doubtful accounts and bad debts based upon management's assessment of the collectability of receivables and prior experience.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property and Equipment

Property and equipment acquisitions are recorded at cost if purchased, or fair value if donated, less accumulated depreciation computed using the straight-line method over estimated useful lives as follows:

|                                     |              |
|-------------------------------------|--------------|
| Land improvements                   | 3 - 35 Years |
| Buildings and building improvements | 3 - 40 Years |
| Fixed equipment                     | 3 - 22 Years |
| Moveable equipment                  | 3 - 25 Years |

Depreciation expense was \$8,492,410 in 2018 and \$8,395,067 in 2017.

The Corporation's policy is to capitalize fixed asset purchases greater than \$100 with an estimated useful life greater than three years.

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

### Long-Lived Assets

The Corporation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable by comparing the expected undiscounted future cash flows of the assets with the respective carrying amounts as of the date of assessment. Should aggregate expected future cash flows be less than the carrying value, an impairment would be recognized, measured as the difference between the carrying value and the fair value of the asset. During 2018 and 2017, the Corporation did not record any impairment charges.

### Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in other income unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Beneficial Interest in Remainder Trusts**

The Corporation is the beneficiary of several charitable remainder trusts administered by third parties. Under the charitable remainder trust arrangements, the donors established and funded the trusts and specified distributions to be made to designated beneficiaries over the terms of the trusts. Upon death of the beneficiaries, the Corporation will receive a fixed percentage of the assets remaining in the trust funds, as outlined in the trust agreements. The contributions received by the Corporation are the unconditional rights to receive the remainder interest of the trust funds and are equal to the difference between the cash or investments held in the trust funds and the present value of the estimated future payments to be distributed to the designated beneficiaries. In accordance with donor restrictions, these have been recorded as contribution revenue with donor restrictions. Subsequent changes in fair value are recorded as a change in value of beneficial interest remainder trusts in net assets with donor restrictions.

### **Beneficial Interest in Perpetual Trusts**

The Corporation is the beneficiary of two perpetual trusts administered by third parties. Under the terms of the perpetual trust agreements the Corporation has recorded an asset and recognized contribution revenue with donor restrictions at the fair value of the Corporation's beneficial interest in the perpetual trust assets. Income earned on the trust assets and distributed to the Corporation is recorded as investment income in the accompanying consolidated statements of activities because it has not been otherwise restricted by the donor. Subsequent changes in fair value are recorded as change in value of beneficial interest in perpetual trusts in net assets with donor restrictions.

### **Entrance Fees**

Under entrance fee plans for independent living cottage units, residents have two entrance plan options, a "refundable" option and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 90% of the entrance fee paid, with the balance refundable on a decreasing basis for ten months. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months.

All refunds to residents are paid at the time of resale of the independent living cottage unit, but not later than six months after termination of the resident agreement. At December 31, 2018 and 2017, the gross amount of contractual refund obligations under existing resident agreements approximated \$3,500,000 and \$3,800,000, respectively.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable fees and deposits in the consolidated statements of financial position. This is comprised of cash and cash equivalents and is used by management to refund deposits as necessary. The balance of entrance fees received is amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from entrance fees in the consolidated statements of financial position.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Charitable Gift Annuities**

The Corporation received charitable gift annuities as contributions. Under the charitable gift annuity arrangements, the Corporation serves as trustee and has recorded the assets at fair value and the liabilities to the donors or their beneficiaries at the present value of the estimated future payments to be distributed by the Corporation to the individuals. The amount of contributions is the difference between the assets and the liabilities that were recorded as contribution revenue without donor restrictions.

### **Debt Issuance Costs**

Debt issuance costs, which represent the cost of obtaining certain financing, are being amortized on the straight-line method over the term of the debt which approximates the effective interest method. Debt issuance costs are shown netted with long-term debt on the consolidated statements of financial position. Amortization totaled \$142,331 and \$142,437 for the years ended December 31, 2018 and 2017, respectively, and is included as a component of interest expense on the consolidated statements of functional expenses.

### **Derivative Financial Instruments**

The Corporation entered into interest rate swap agreements, which are considered derivative financial instruments, to manage the variable rate interest payments due on its long-term debt. The interest rate swap agreements are reported at fair value in the consolidated statements of financial position and related changes in fair value are reported in the consolidated statements of activities.

### **Deferred Revenue**

The Home receives grants to assist in carrying out its programs. Grants revenue is recognized as eligible expenses are incurred and the related services are provided. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of related costs being incurred and the related services provided are recorded as deferred revenue in the accompanying consolidated statements of financial position.

### **Resident Service Revenue Recognition**

Net resident service revenue is reported at the estimated net realizable amounts from residents, third party payors and others for services rendered and includes retroactive revenue adjustments due to changes in case mix indexes and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. It is not possible to determine the extent of liability (or receivable) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Resident Service Revenue Recognition (Continued)

Resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from payor sources, is as follows:

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Private   | \$ 15,438,084        | \$ 16,961,868        |
| Private - pharmacy  | 2,000,365            | 2,277,209            |
| Medicaid  | 20,653,654           | 24,833,051           |
| Medicaid managed care   | 14,190,430           | 9,161,402            |
| Medicare  | 3,685,575            | 5,535,122            |
| Medicare - hospice  | 933,720              | 769,361              |
| Medicare - physician  | 872,069              | 1,087,908            |
| Plus Choice and Blues   | 2,568,592            | 3,412,291            |
| MVP   | 1,035,586            | 2,378,991            |
| Other   | <u>607,422</u>       | <u>850,221</u>       |
| Sub-total   | 61,985,497           | 67,267,424           |
| Prior year revenue  | <u>1,819,519</u>     | <u>553,448</u>       |
| Total resident service revenues from skilled nursing facilities | 63,805,016           | 67,820,872           |
| Independent living private revenues                             | <u>12,653,064</u>    | <u>13,104,169</u>    |
| Total resident service revenues                                 | <u>\$ 76,458,080</u> | <u>\$ 80,925,041</u> |

### Universal Settlement

New York State (the "State") and Residential Health Care Facilities statewide have entered into a settlement agreement ("Universal Settlement") to resolve outstanding appeals and pending litigation for rate years prior to January 1, 2012 (the "Rate Period"). Significant terms of the settlement include:

- Facilities forfeit their right to appeal or litigate any rate matters during the Rate Period, except those that were specifically excluded;
- The Office of the Medicaid Inspector General has agreed to waive the right to audit the rates for the Rate Period.

As part of the Universal Settlement, the State established a pool of funds to be awarded to the facilities. The amount is expected to be paid in five installments and is subject to legislative approval on an annual basis. The Corporation was awarded \$2,754,127. The Corporation recognized revenue of \$553,448 for both years ended December 31, 2018 and 2017 related to this arrangement. The recognized amounts represent four years of authorized Universal Settlement payments by the State. Additional revenue related to Universal Settlement is expected to be recognized as the cash basis is received.

Also as part of the Universal Settlement, the State established a special appeals fund to be awarded to certain facilities that have pending rate appeals on matters that are included in the Universal Settlement, but for which the facility believes the value of the appeals exceeds the Universal Settlement payment they will receive. In 2018 and 2017, the Corporation recognized revenue of \$682,825 and \$0, respectively, from the special appeals fund.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Resident Service Revenue Recognition (Continued)**

Independent living revenues are derived from the rental of cottages, apartments, and private rooms to residents, charges for personal care services and local transportation fees. Room rentals are recorded in accordance with month to month resident agreements. The basic services, which include personal care services, room rental, housekeeping, meals and snacks and the use of common areas and activities, are established by a published fee schedule. On-site assisted living and memory support is available to the residents should they need it. Amounts paid in advance are recorded as deferred revenue.

### **New York State Cash Receipt Assessment**

In April 2002, the State of New York approved a 6% assessment on nursing facilities' cash receipts, with the exception of Medicare cash receipts, to provide funding for workforce recruitment and retention awards authorized pursuant to Chapter 1 and subsequently amended by Chapter 82 of the Laws of 2002. Effective April 2011, April 2012, and November 2012, the State of New York implemented changes on assessment for nursing facilities' cash receipts to 7.2%, 7.0%, and 6.8%, respectively.

A significant portion of this assessment is reimbursed to the Home, at varying rates depending on payor, and is included in net resident service revenue. Total assessment expense for the years ended December 31, 2018 and 2017 was \$3,569,554 and \$3,556,903, respectively, and is included in operating expenses in the accompanying consolidated statements of activities.

### **Donor Restricted Gifts**

The Corporation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated statements of activities.

### **Allocation of Certain Expenses**

The consolidated statements of functional expenses present expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. These expenses include salaries, benefits, payroll taxes, purchased services, advertising, office expense, information technology, occupancy, travel, insurance, equipment rental, food, licenses and taxes, other expenses, and payments to affiliates. Benefits and payroll taxes are allocated based on corresponding salary expense in each functional area. Salaries, purchased services, advertising, office expense, information technology, occupancy, travel, insurance, equipment rental, food, licenses and taxes, other expenses, and payments to affiliates are allocated based on direct charges.

### **Income Taxes**

SAGRI and its controlled entities are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. However, income from certain activities not directly related to the entities' tax-exempt purposes may be subject to taxation as unrelated business income. St. Ann's Affordable Housing for Seniors, LLC is solely owned by SAGRI and considered to be a disregarded entity for income tax purposes and, as such, the results of its change in net assets are reported as part of SAGRI for tax filing purposes. The Corporation has also been classified by the Internal Revenue Service (IRS) as an entity that is not a private foundation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Reclassification

Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2017. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

## 3. LIQUIDITY

The Corporation is primarily supported by cash flows from its operating activities. In the event that cash flows from operating activities are not sufficient to cover the needs of the Corporation, they would liquidate short-term investments, investments without donor restrictions, and donor funds which have no restrictions. The Corporation's strategy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The goal is to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average approximately \$12,745,000. As of December 31, 2018, the Corporation had 141 days cash on hand, which meets the goal of maintaining financial assets on hand to meet 60 days of normal operating expenses.

The Corporation's financial assets available to meet cash needs for general expenditure within one year of December 31, 2018 are:

|  |                      |
|--|----------------------|
| Financial assets at December 31, 2018*   | \$ 110,903,702       |
| Less: Financial assets unavailable for general expenditures within one year, due to:   |                      |
| Contractual or donor-imposed restrictions:   |                      |
| Investments restricted by board and spend policy                                       | (69,027,306)         |
| Other investments  | (613,159)            |
| Pledges receivable   | (1,197,836)          |
| Beneficial interest in remainder trust   | (884,648)            |
| Beneficial interest in perpetual trust   | (2,473,979)          |
| Entrance fee deposits  | (3,943,871)          |
| Security deposits  | (987,532)            |
| Resident funds   | (171,641)            |
| Investment – equity method   | <u>(1,733,028)</u>   |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 29,870,702</u> |

\*Total assets, less nonfinancial assets (property and equipment and prepaid expenses)

#### 4. RESIDENT ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Medicaid                               | \$ 4,295,412        | \$ 3,838,709        |
| Medicaid managed care                  | 333,458             | 137,444             |
| Medicare                               | 362,410             | 843,421             |
| Third party insurers                   | 863,145             | 1,511,085           |
| Private pay                            | 754,396             | 561,362             |
| Accounts receivable Medicare physician | 77,213              | 78,588              |
| Accounts receivable pharmacy           | 149,309             | 211,512             |
| Accounts receivable VNS loss sharing   | (58,294)            | (58,294)            |
| Accounts receivable Home Connection    | 381,702             | 282,087             |
| Other accounts receivable              | 48,007              | 29,089              |
| Due from medical practice              | 1,242,545           | 797,023             |
| Less: Reserve for medical practice     | (756,507)           | (310,985)           |
| Less: Allowance for doubtful accounts  | <u>(375,000)</u>    | <u>(375,000)</u>    |
| Resident accounts receivable - net     | <u>\$ 7,317,796</u> | <u>\$ 7,546,041</u> |

#### 5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

|   | <u>2018</u>         | <u>2017</u>      |
|---|---------------------|------------------|
| Pledges receivable - current portion                | \$ 397,054          | \$ 41,000        |
| Amounts due in one to five years                    | 883,556             | 20,000           |
| Less: Allowance for doubtful accounts - pledges     | (21,279)            | (14,145)         |
| Less: Discount for present value of future payments | <u>(61,495)</u>     | <u>(643)</u>     |
| Pledges receivable - net                            | <u>\$ 1,197,836</u> | <u>\$ 46,212</u> |

## 6. INVESTMENTS AND FAIR VALUE MEASUREMENT

### Composition

Investments consisted of the following at December 31:

|                             | <u>2018</u>          | <u>2017</u>          |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents   | \$ 1,078,271         | \$ 1,226,072         |
| Money market                | 241,194              | 234,400              |
| Common stock                | 40,490               | 43,439               |
| Mutual funds                | 79,200,233           | 87,168,988           |
| U.S. government obligations | <u>1,819,742</u>     | <u>23,265</u>        |
|                             | <u>\$ 82,379,930</u> | <u>\$ 88,696,164</u> |

### Fair Value

The Corporation measures its investments, beneficial interest in trusts, and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

- Cash and cash equivalents, money market, common stock, mutual funds and U.S. government obligations: Valued at the closing price reported on the active market on which the individual securities are traded (level 1).
- Beneficial interest in perpetual trusts: Based on the Corporation's interest in the fair values of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trusts (level 2).
- Beneficial interest in remainder trusts: Based on the Corporation's interest in the fair values of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trusts (level 3).

## 6. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

### Fair Value (Continued)

- Derivative financial instruments: Valued based on proprietary models of an independent third-party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and was estimated using the zero-coupon discounting method. This method calculates the future payments required by the derivative financial instruments, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the derivative financial instruments. The value represents the estimated exit price the Corporation would pay to terminate the agreement (level 2).

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

Assets and liabilities measured at fair value are summarized below as of December 31:

|  | 2018                 |                     |                   |                      |
|--|----------------------|---------------------|-------------------|----------------------|
|  | Level 1              | Level 2             | Level 3           | Total                |
| Assets - recurring fair value measurements:      |                      |                     |                   |                      |
| Cash and cash equivalents                        | \$ 1,078,271         | \$ -                | \$ -              | \$ 1,078,271         |
| Money market                                     | 241,194              | -                   | -                 | 241,194              |
| Common stock                                     | 40,490               | -                   | -                 | 40,490               |
| Mutual funds:                                    |                      |                     |                   |                      |
| Equity   |                      |                     |                   |                      |
| Large blend                                      | 194,341              | -                   | -                 | 194,341              |
| Large cap  | 16,693,678           | -                   | -                 | 16,693,678           |
| Large growth                                     | 59,804               | -                   | -                 | 59,804               |
| Large value                                      | 2,166,676            | -                   | -                 | 2,166,676            |
| Mid cap  | 5,306,748            | -                   | -                 | 5,306,748            |
| Small cap  | 2,700,223            | -                   | -                 | 2,700,223            |
| Small blend                                      | 3,351,282            | -                   | -                 | 3,351,282            |
| International                                    | 14,535,658           | -                   | -                 | 14,535,658           |
| Fixed income                                     | 32,670,831           | -                   | -                 | 32,670,831           |
| Real estate                                      | 1,483,041            | -                   | -                 | 1,483,041            |
| Commodities                                      | 37,951               | -                   | -                 | 37,951               |
| U.S. government obligations                      | 1,819,742            | -                   | -                 | 1,819,742            |
|  | 82,379,930           | -                   | -                 | 82,379,930           |
| Beneficial interest in remainder trusts          | -                    | -                   | 884,628           | 884,628              |
| Beneficial interest in perpetual trusts          | -                    | 2,473,979           | -                 | 2,473,979            |
| Total assets at fair value                       | <u>\$ 82,379,930</u> | <u>\$ 2,473,979</u> | <u>\$ 884,628</u> | <u>\$ 85,738,537</u> |
| Liabilities - recurring fair value measurements: |                      |                     |                   |                      |
| Derivative financial instruments                 | <u>\$ -</u>          | <u>\$ 371,325</u>   | <u>\$ -</u>       | <u>\$ 371,325</u>    |

## 6. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

### Fair Value (Continued)

|  | 2017                 |                     |                     |                      |
|--|----------------------|---------------------|---------------------|----------------------|
|  | Level 1              | Level 2             | Level 3             | Total                |
| Assets - recurring fair value measurements:      |                      |                     |                     |                      |
| Cash and cash equivalents                        | \$ 1,226,072         | \$ -                | \$ -                | \$ 1,226,072         |
| Money market                                     | 243,400              | -                   | -                   | 234,400              |
| Common stock                                     | 43,439               | -                   | -                   | 43,439               |
| Mutual funds:                                    |                      |                     |                     |                      |
| Equity   |                      |                     |                     |                      |
| Large blend                                      | 73,828               | -                   | -                   | 73,828               |
| Large cap  | 21,476,082           | -                   | -                   | 21,476,082           |
| Large growth                                     | 56,260               | -                   | -                   | 56,260               |
| Large value                                      | 2,702,919            | -                   | -                   | 2,702,919            |
| Mid cap  | 6,757,568            | -                   | -                   | 6,757,568            |
| Small cap  | 1,570,222            | -                   | -                   | 1,570,222            |
| Small blend                                      | 4,112,257            | -                   | -                   | 4,112,257            |
| International                                    | 15,856,782           | -                   | -                   | 15,856,782           |
| Fixed income                                     | 30,560,099           | -                   | -                   | 30,560,099           |
| Real estate                                      | 1,527,462            | -                   | -                   | 1,527,462            |
| Commodities                                      | 2,466,509            | -                   | -                   | 2,466,509            |
| U.S. government obligations                      | 23,265               | -                   | -                   | 23,265               |
|  | <u>88,696,164</u>    | <u>-</u>            | <u>-</u>            | <u>88,696,164</u>    |
| Beneficial interest in remainder trusts          | -                    | -                   | 1,120,389           | 1,120,389            |
| Beneficial interest in perpetual trusts          | -                    | 2,711,819           | -                   | 2,711,819            |
|  | <u>-</u>             | <u>2,711,819</u>    | <u>-</u>            | <u>2,711,819</u>     |
| Total assets at fair value                       | <u>\$ 88,696,164</u> | <u>\$ 2,711,819</u> | <u>\$ 1,120,389</u> | <u>\$ 92,528,372</u> |
| Liabilities - recurring fair value measurements: |                      |                     |                     |                      |
| Derivative financial instruments                 | \$ -                 | \$ 1,236,714        | \$ -                | \$ 1,236,714         |

### Remainder Trusts

During 2018, the value of one of the Corporation's beneficial interest in remainder trusts decreased due to changes to the investment allocations initiated by the donor. The Corporation has been notified that the remainder trust will be fully liquidated in 2019. Therefore, the Corporation has recorded bad debt loss of \$38,546 and has fully allowed for the remaining balance of this remainder trust as of December 31, 2018.

The valuation technique used to measure the fair value of the remainder trusts, the significant unobservable inputs, and the ranges of those inputs follows.

| <u>Date</u>       | <u>Fair Value</u> | <u>Principle Valuation Technique</u> | <u>Unobservable Inputs</u>       | <u>Range of Significant Input Values</u> |
|-------------------|-------------------|--------------------------------------|----------------------------------|--|
| December 31, 2018 | \$ 884,628        | Discounted cash flow                 | Discount rate<br>Life expectancy | 2.59% and 2.87%<br>7 and 32 years        |
| <u>Date</u>       | <u>Fair Value</u> | <u>Principle Valuation Technique</u> | <u>Unobservable Inputs</u>       | <u>Range of Significant Input Values</u> |
| December 31, 2017 | \$ 1,120,389      | Discounted cash flow                 | Discount rate<br>Life expectancy | 2.33% and 2.58%<br>7, 11 and 33 years    |



## 6. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

### Remainder Trusts (Continued)

The Corporation assesses the fair value measurements used for investments, including those for Level 3 investments. Annually, the Corporation determines if the current valuation techniques used in the fair value measurements are still appropriate.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Corporation's beneficial interest in remainder trusts:

|   | <u>2018</u>       | <u>2017</u>         |
|---|-------------------|---------------------|
| Beginning balance, January 1            | \$ 1,120,389      | \$ 1,592,406        |
| Valuation loss                          | (197,215)         | (472,017)           |
| Bad debt                                | <u>(38,546)</u>   | <u>-</u>            |
| Beneficial interest in remainder trusts | <u>\$ 884,628</u> | <u>\$ 1,120,389</u> |

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Corporation's beneficial interest in perpetual trusts:

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| Beginning balance, January 1            | \$ 2,711,819        | \$ 2,471,573        |
| Valuation gain (loss)                   | <u>(237,840)</u>    | <u>240,246</u>      |
| Beneficial interest in perpetual trusts | <u>\$ 2,473,979</u> | <u>\$ 2,711,819</u> |

## 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

|                                     | <u>2018</u>          | <u>2017</u>          |
|-------------------------------------|----------------------|----------------------|
| Land                                | \$ 5,837,188         | \$ 5,837,188         |
| Land improvements                   | 4,635,202            | 4,643,237            |
| Buildings and building improvements | 106,422,603          | 103,008,668          |
| Fixed equipment                     | 20,386,114           | 20,496,091           |
| Moveable equipment                  | 17,310,868           | 18,151,802           |
| Construction in progress            | <u>1,163,308</u>     | <u>208,354</u>       |
| Total                               | 155,755,283          | 152,345,340          |
| Less: Accumulated depreciation      | <u>(63,803,835)</u>  | <u>(58,039,688)</u>  |
| Property and equipment, net         | <u>\$ 91,951,448</u> | <u>\$ 94,305,652</u> |

## 8. INVESTMENTS - EQUITY METHOD

The Home holds a 6.87% membership interest in Pandion Sourcing National; a group purchasing service for healthcare organizations in New York State. The Home accounts for the investment using the equity method. Under this method, the carrying value of the investment is adjusted for the Home's share of earnings and dividends of the affiliate resulting in an investment balance which approximates the Home's underlying equity in the affiliate. The Home's earnings on the investment which represent both the change in value as well as distributions are included in investment income on the consolidated statements of activities and totaled \$525,238 and \$525,238 for the years ended December 31, 2018 and 2017, respectively.

The Corporation is a 20% investor in the Alliance for Senior Care Communities, LLC and Alliance for Senior Care Communities, LLC, IPA for the purpose of facilitating the expansion of services to older adults in Monroe County. The amounts invested was as follows for the years ended December 31:

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Alliance for Senior Care Communities, LLC      | \$ -        | \$ 20,000   |
| Alliance for Senior Care Communities, LLC, IPA | \$ 25,000   | \$ 30,000   |

The Corporation accounts for the investment using the equity method. The Corporation records a charge against the investment to reflect its pro-rata share of the net equity of the affiliate which is included in investment income on the consolidated statements of activities. Investment loss using the equity method was as follows for the years ended December 31:

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Alliance for Senior Care Communities, LLC      | \$ (10,186) | \$ 21,318   |
| Alliance for Senior Care Communities, LLC, IPA | \$ (28,464) | \$ 8,641    |

## 9. ACCRUED EXPENSES

|                               | <u>2018</u>         | <u>2017</u>         |
|-------------------------------|---------------------|---------------------|
| Accrued incentive             | \$ 649,636          | \$ 752,432          |
| Accrued payroll               | 1,132,704           | 1,016,338           |
| Accrued vacation              | 1,319,022           | 1,264,155           |
| Accrued 403b contribution     | 1,046,821           | 1,038,189           |
| Accrued paid family leave     | (35,028)            | 11,089              |
| Accrued workers' compensation | 2,040,000           | 1,610,000           |
| NYS assessment payable        | 314,690             | 260,711             |
| Accrued interest              | 204,081             | 214,250             |
| Accrued other                 | <u>208,702</u>      | <u>140,160</u>      |
| Total accrued expenses        | <u>\$ 6,880,628</u> | <u>\$ 6,296,234</u> |

## 10. LONG-TERM DEBT

Long-term debt is as follows as of December 31:

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| Obligated Group mortgages payable - due December 2040, payable in varying monthly principal installments plus variable interest ranging between 2.25% plus one-month LIBOR yield, and 67% of the sum of 2.25% and one-month LIBOR yield. | \$ 65,916,580        | \$ 67,930,214        |
| Chapel Oaks mortgage payable - due January 2027, payable in varying monthly principal installments plus fixed interest rate of 3.09%. This rate is fixed for a 13 year term via an interest rate swap.                                   | <u>6,056,944</u>     | <u>6,706,409</u>     |
| Total debt   | 71,973,524           | 74,636,623           |
| Less: Unamortized debt issuance costs  | <u>(912,173)</u>     | <u>(1,054,504)</u>   |
| Debt, net of unamortized debt issuance costs   | 71,061,351           | 73,582,119           |
| Less: Debt - current portion   | <u>(2,752,176)</u>   | <u>(2,663,100)</u>   |
| Debt - net   | <u>\$ 68,309,175</u> | <u>\$ 70,919,019</u> |

Scheduled principal repayments are as follows for the years ended December 31:

|                                 |                      |
|---------------------------------|----------------------|
| Years ending after December 31: |                      |
| 2019                            | \$ 2,752,176         |
| 2020                            | 2,838,031            |
| 2021                            | 2,939,423            |
| 2022                            | 3,038,090            |
| 2023                            | 3,139,738            |
| Thereafter                      | <u>57,266,066</u>    |
| Total                           | <u>\$ 71,973,524</u> |

### Security for Obligated Group Mortgages Payable

The Home, the Care Center, and Cherry Ridge (collectively, the "Obligated Group") are jointly and severally obligated to pay the Obligated Group mortgages payable, totaling \$65,916,580 and \$67,930,214 at December 31, 2018 and 2017, respectively. The Obligated Group mortgages payable are secured by a first security interest in the Obligated Groups' revenues and gross receipts, as defined, and a first mortgage lien on, and security interest in, the Obligated Groups' property and equipment.

### Security for Chapel Oaks Mortgage Payable

Financing for the mortgage was obtained through the Village of East Rochester Housing Authority ("the Authority"). At the date of the mortgage issuance, Chapel Oaks entered into a lease agreement with the Authority. Pursuant to the lease agreement, the Authority took title to substantially all of Chapel Oaks' property and equipment and simultaneously leased back the same property and equipment to Chapel Oaks. Chapel Oaks is obligated to make lease rental payments to the bond trustee assigned by the Authority in amounts which correspond to the principal and interest payments on the mortgage payable. The lease agreement will expire upon full repayment and maturity of the mortgage in January 2027.

## 10. LONG-TERM DEBT (Continued)

### Debt Covenants

At December 31, 2018 and 2017, the Corporation was in compliance with all applicable debt covenants, including a debt service coverage ratio of not less than 1.20 to 1.00, cash to debt ratio of not less than 35%, minimum occupancy percentages, and no additional indebtedness.

### Interest Rate Swap Agreements (Obligated Group)

The Corporation entered into an interest rate swap agreement (the "2014 agreement") which requires the Corporation to make monthly payments, in addition to the principal and interest payments due on the mortgages, to the counterparty of the Agreement. The monthly payments are calculated by multiplying the notional amount (\$45,245,508 and \$46,606,896 at December 31, 2018 and 2017, respectively), by the difference between a fixed rate of 1.82% and a variable rate of 67% of the one month LIBOR Index. These payments are classified as interest expense in the accompanying statements of functional expenses.

During 2017, the Corporation entered into an additional interest rate swap agreement (the "2017 agreement", collectively the "agreements"). The 2017 agreement requires the Corporation to make monthly payments, in addition to the principal and interest payments due on the mortgages, to the counterparty of the 2017 agreement. The monthly payments are calculated by multiplying the notional amount (\$18,652,584 and \$19,236,036 at December 31, 2018 and 2017, respectively), by the difference between a fixed rate of 1.51% and a variable rate of 67% of the one month LIBOR Index. These payments are classified as interest expense in the accompanying statements of functional expenses.

When, during the term of the agreements, the floating rate exceeds the fixed rate, the counterparty to the agreements makes monthly payments to the Corporation for the differential in the two rates. The payments received are classified as a reduction of interest expense in the accompanying consolidated statements of functional expenses.

The fair value of the Corporation's derivative instruments at December 31, 2018 and 2017 is as follows:

|                   | Derivatives designated as<br><u>hedging instruments</u> | Consolidated<br>Statements of Financial<br><u>Position location</u> | <u>Fair Value</u> |
|-------------------|---|---|-------------------|
| December 31, 2018 | Interest rate swap agreements                           | Fair value of derivative financial instrument                       | \$ 292,385        |
| December 31, 2017 | Interest rate swap agreements                           | Fair value of derivative financial instrument                       | \$ 1,074,075      |

The effect of derivative instruments on the consolidated statements of activities for the years ended December 31, 2018 and 2017 is as follows:

|                   | Derivatives designated as<br><u>hedging instruments</u> | Consolidated<br>Statements of<br><u>Activities location</u> | <u>Fair Value</u> |
|-------------------|---|---|-------------------|
| December 31, 2018 | Interest rate swap agreements                           | Change in fair value of derivative financial instrument     | \$ 781,690        |
| December 31, 2017 | Interest rate swap agreements                           | Change in fair value of derivative financial instrument     | \$ 442,471        |

## 10. LONG-TERM DEBT (Continued)

### Interest Rate Swap Agreements (Obligated Group) (Continued)

The fair value of the agreements is estimated to be the amount the Obligated Group would pay to terminate the agreements and is based on information supplied by the independent third party valuation specialist. Changes in the fair value of the interest rate swap agreements are included in total other income since the interest rate swap agreements are designated as effective hedging instruments.

### Interest Rate Swap Agreement (Chapel Oaks)

Chapel Oaks entered into an interest rate swap agreement (the "agreement") which requires Chapel Oaks to make monthly payments, in addition to the principal and interest payments due on the mortgage, to the counterparty of the agreement. The monthly payments are calculated by multiplying the notional amount (\$6,056,944 and \$6,706,409 at December 31, 2018 and 2017, respectively), by the difference between a fixed rate of 1.92% and a variable rate of 65% of the one month LIBOR Index. These payments are classified as interest expense in the accompanying consolidated statements of functional expenses.

When, during the term of the agreement, the floating rate exceeds the fixed rate, the counterparty to the agreement makes monthly payments to Chapel Oaks for the differential in the two rates. The payments received are classified as a reduction of interest expense in the accompanying consolidated statements of functional expenses.

The fair value of Chapel Oaks' derivative instruments at December 31, 2018 and 2017 is as follows:

|                   | Derivatives designated as<br><u>hedging instruments</u> | Consolidated<br>Statements of Financial<br><u>Position location</u> | <u>Fair Value</u> |
|-------------------|---|---|-------------------|
| December 31, 2018 | Interest rate swap<br>agreement                         | Fair value of derivative<br>financial instrument                    | \$ 78,940         |
| December 31, 2017 | Interest rate swap<br>agreement                         | Fair value of derivative<br>financial instrument                    | \$ 162,639        |

The effect of derivative instruments on the consolidated statements of activities for the years ended December 31, 2018 and 2017 is as follows:

|                   | Derivatives designated as<br><u>hedging instruments</u> | Consolidated<br>Statements of<br><u>Activities location</u>   | <u>Fair Value</u> |
|-------------------|---|---|-------------------|
| December 31, 2018 | Interest rate swap<br>agreements                        | Change in fair value of<br>derivative financial<br>instrument | \$ 83,699         |
| December 31, 2017 | Interest rate swap<br>agreements                        | Change in fair value of<br>derivative financial<br>instrument | \$ 92,471         |

The fair value of the agreement is estimated to be the amount Chapel Oaks would pay to terminate the agreement at December 31, 2018 and 2017, respectively, and is based on information supplied by the independent third party valuation specialist. Changes in the fair value of the agreement are included in total other income since the agreement is designated as an effective hedging instrument.

## 11. PENSION AND RETIREMENT PLANS

The Home sponsors a defined benefit pension plan (the "Plan") for its employees and the employees of the Home's related parties employed as of December 31, 2012. Benefits under the Plan are generally based on years of service and compensation. The Home's funding policy is to contribute annually at least the minimum amounts required under the Employee Retirement Income Security Act of 1974. Effective December 31, 2012, the Home froze the Plan by ceasing benefit accruals and new eligibility.

SAGRI also maintains a defined contribution plan covering substantially all employees of the Home and its related parties. The Home and its related parties' contributions to the defined contribution plan totaled \$1,713,821 and \$1,902,651 in 2018 and 2017, respectively.

The following is a reconciliation of the beginning and ending balances of the projected benefit obligation and fair value of plan assets and the accumulated benefit obligation at December 31:

|  | <u>2018</u>            | <u>2017</u>            |
|--|------------------------|------------------------|
| Change in benefit obligation:                  |                        |                        |
| Benefit obligation - beginning                 | \$ 83,356,263          | \$ 74,559,862          |
| Interest cost                                  | 2,929,859              | 3,002,832              |
| Benefits paid                                  | (3,521,588)            | (3,468,487)            |
| Actuarial gain                                 | (682,536)              | 1,006,019              |
| Changes in discount rate assumptions           | (6,756,197)            | 5,835,631              |
| Changes in other assumptions                   | <u>(245,718)</u>       | <u>2,420,406</u>       |
| Benefit obligation - ending                    | <u>75,080,083</u>      | <u>83,356,263</u>      |
| Change in plan assets:                         |                        |                        |
| Fair value of plan assets - beginning          | 58,394,880             | 52,689,601             |
| Actual return on plan assets (net of expenses) | (4,661,924)            | 7,266,706              |
| Employer contributions                         | 2,790,000              | 1,907,060              |
| Benefits paid                                  | <u>(3,521,588)</u>     | <u>(3,468,487)</u>     |
| Fair value of plan assets - ending             | <u>53,001,368</u>      | <u>58,394,880</u>      |
| Funded status - accrued pension cost           | <u>\$ (22,078,715)</u> | <u>\$ (24,961,383)</u> |

Net periodic pension cost is comprised of the following:

|                                | <u>2018</u>         | <u>2017</u>         |
|--------------------------------|---------------------|---------------------|
| Service cost                   | \$ 828,000          | \$ 777,000          |
| Interest cost                  | 2,929,859           | 3,002,832           |
| Expected return on plan assets | (4,007,476)         | (3,582,793)         |
| Recognized actuarial losses    | <u>1,944,582</u>    | <u>1,583,918</u>    |
| Net periodic pension cost      | <u>\$ 1,694,965</u> | <u>\$ 1,780,957</u> |

A net loss of \$18,468,280 and \$20,225,913 represents the unrecognized component of net periodic pension cost included in net assets without donor restrictions at December 31, 2018 and 2017, respectively.

Amortization for 2019 related to unrecognized net losses is anticipated to equal \$1,736,969.

## 11. PENSION AND RETIREMENT PLANS (Continued)

The weighted-average assumptions used to determine benefit obligations are as follows:

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Discount rate - net periodic benefit cost | 3.59%       | 4.12%       |
| Discount rate - benefit obligations       | 4.24%       | 3.59%       |
| Expected return on plan assets            | 7.00%       | 7.00%       |
| Rate of compensation increase             | N/A         | N/A         |

The fair value hierarchy, as described in Note 6, has three levels of classifications used to categorize investments. All investments in the plan are level one investments.

The Plan's assets at fair value are as follows as of December 31:

|                             | <u>2018</u>          | <u>2017</u>          |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents   | \$ 1,311,057         | \$ 1,297,924         |
| Mutual funds                |                      |                      |
| Equity -                    |                      |                      |
| International               | 11,389,820           | 11,502,139           |
| Mid cap                     | 4,853,622            | 5,648,838            |
| Small cap                   | 3,530,529            | 4,174,121            |
| Real estate                 | 446,670              | 435,600              |
| Large cap                   | 14,865,934           | 17,793,044           |
| U.S. government obligations | 1,122,975            | -                    |
| Other                       | <u>1,362,100</u>     | <u>1,785,922</u>     |
| Total equity securities     | 38,882,707           | 42,637,588           |
| Fixed income securities     | <u>14,118,661</u>    | <u>15,757,292</u>    |
| Total plan assets           | <u>\$ 53,001,368</u> | <u>\$ 58,394,880</u> |

The Plan's overall portfolio mix of equity securities and fixed income (debt) securities is based on asset allocation modeling taking into consideration historical return patterns and risk factors. Equity securities are diversified among large and small-cap value and growth securities. Fixed income securities are invested in investment grade bonds and similar instruments. The Corporation's overall investment strategy is to achieve a mix of investments with approximately 70% in equities for long-term growth and 30% in fixed income vehicles for near-term benefit payments with a wide diversification in asset types, fund strategies and fund managers. The Corporation's actual allocations were 73% equity and 27% fixed income as of December 31, 2018 and 2017.

## 11. PENSION AND RETIREMENT PLANS (Continued)

To develop the expected long-term rate of return on plan assets assumption, management considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return on plan assets assumption.

The Corporation expects to contribute approximately \$2,675,000 to the Plan during 2019.

Estimated aggregate future benefit payments expected to be made by the Plan are as follows:

|             |               |
|-------------|---------------|
| 2019        | \$ 3,673,000  |
| 2020        | \$ 3,785,000  |
| 2021        | \$ 3,895,000  |
| 2022        | \$ 3,950,000  |
| 2023        | \$ 4,052,000  |
| 2024 - 2028 | \$ 21,574,000 |

## 12. DEFERRED COMPENSATION PLAN

The Home maintains a Section 457(b) deferred compensation plan covering certain key employees. Contributions to the plan are in accordance with specific terms of employment agreements. Until paid or made available to the participant or beneficiary, all deferred amounts and investment earnings related to these amounts are solely the property and rights of the Home. Employer contributions during 2018 and 2017 totaled \$43,712 and \$99,440, respectively. As of December 31, 2018 and 2017, the 457(b) plan assets totaled \$613,159 and \$671,769, respectively, and are in other investments and deferred compensation in the accompanying consolidated statements of financial position.



**13. NATURE, PURPOSE AND AMOUNT OF RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions are available for the following purposes at December 31:

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Net assets with donor restrictions that can be satisfied by action of the Corporation or the passage of time: |                      |                      |
| Unappropriated endowment appreciation   | \$ 15,281,087        | \$ 16,523,652        |
| Pastoral care   | 126,322              | 152,154              |
| Nursing/employee scholarships   | <u>63,658</u>        | <u>116,576</u>       |
| Endowment   | 15,471,067           | 16,792,382           |
| Nursing/employee scholarships   | 6,229                | 9,750                |
| Capital campaign  | 1,855,698            | 12,500               |
| Paul Hogan Trust – Home   | 636,905              | 561,784              |
| Anna Hogan Trust – Home   | 31,676               | 31,676               |
| Anna Hogan Trust – Care Center  | 31,676               | 31,676               |
| Resident support  | 223,768              | 143,436              |
| Resident support – skilled nursing  | 309,091              | 276,608              |
| Annual giving   | 10,000               | 15,000               |
| Adult day expansion   | 70,000               | -                    |
| Other specific purposes   | 77,183               | 44,456               |
| Beneficial interest in remainder trust  | <u>884,628</u>       | <u>1,120,389</u>     |
| Net assets with donor restrictions that can be satisfied by action of the Corporation or the passage of time  | <u>19,607,921</u>    | <u>19,039,657</u>    |
| Net assets restricted by donor perpetually:   |                      |                      |
| Endowment   | 3,854,951            | 3,854,614            |
| Beneficial interest in perpetual trusts   | <u>2,473,979</u>     | <u>2,711,819</u>     |
| Net assets restricted by donor perpetually  | <u>6,328,930</u>     | <u>6,566,433</u>     |
| Net assets with donor restrictions  | <u>\$ 25,936,851</u> | <u>\$ 25,606,090</u> |

The Foundation's governing board has designated \$198,232 and \$211,660 of net assets without donor restrictions for the pastoral care endowment as of December 31, 2018 and 2017, respectively.

Assets in the remainder trusts, when received, are generally available for nursing services and programs.

Net assets were released from restriction for program expenditures.

The income from assets held in perpetuity is generally available for nursing services and programs.

## 14. ENDOWMENT FUNDS

### **Interpretation of Relevant Law**

The Board of SAGRI has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment funds remain classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation, (7) the Corporation's investment policies, and (8) alternatives to expenditure of the endowment fund.

### **Investment Return Objectives, Risk Parameters and Strategies**

The Corporation has adopted investment and spending policies, approved by the Board of Directors, for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund the annual operating and capital expenditures in accordance with the donor restrictions. To achieve this overall goal, the primary objective of the investment policy is the long-term growth of capital. A real rate of return over capital is required to preserve the purchasing power of the endowment funds. The secondary objective of the investment policy is the preservation of capital, including the protection of capital in declining markets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and Barclays Capital Intermediate Government/Credit Index (formerly known as the Lehman's Government Index) by 1%; however, actual returns in any given year may vary from these amounts.

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

#### 14. ENDOWMENT FUNDS (Continued)

##### Spending Policy

Spendable income is that portion of current total return, as well as portions of unspent total return of prior years, as allocated by the Board for spending in any fiscal year. The target annual distribution rate shall be 5% of the average market value of the endowment for the preceding 20 quarters. It is the responsibility of the Board and the investment advisor to oversee management of the endowment in ways commensurate with this spending policy. Distribution of spending income will be reviewed annually and made according to the following:

- Provisions must be made with the investment advisor for timely and regular distributions as needed.
- Total return results that exceed actual distribution of allocated spendable income normally shall be reinvested and considered principle for all future computations and distributions.
- When total return is less than allocated spendable income, distributions will be made from assets that are unencumbered for such purposes, such as unspent total return of prior years.

The Board has not allocated any spending of the accumulated earnings on the original endowment funds to date, however there are specific endowment funds for which the spending of the accumulated earnings are allowed by the donor. These amounts have been accumulated and reported as net assets with donor restrictions.

Endowment composition by type for the year ended December 31, 2018, follows:

|                                 | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|---------------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-restricted endowment fund | \$ -                                  | \$ 19,326,018                      | \$ 19,326,018        |
| Board-designated endowment fund | <u>198,232</u>                        | <u>-</u>                           | <u>198,232</u>       |
| Total endowment net assets      | <u>\$ 198,232</u>                     | <u>\$ 19,326,018</u>               | <u>\$ 19,524,250</u> |

Endowment composition by type for the year ended December 31, 2017, follows:

|                                 | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|---------------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-restricted endowment fund | \$ -                                  | \$ 20,646,996                      | \$ 20,646,996        |
| Board-designated endowment fund | <u>211,660</u>                        | <u>-</u>                           | <u>211,660</u>       |
| Total endowment net assets      | <u>\$ 211,660</u>                     | <u>\$ 20,646,996</u>               | <u>\$ 20,858,656</u> |

#### 14. ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

|                                  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets - beginning | \$ 211,660                            | \$ 20,646,996                      | \$ 20,858,656        |
| Contributions                    | -                                     | 6,260                              | 6,260                |
| Investment loss - net            | (13,428)                              | (1,325,128)                        | (1,338,556)          |
| Released from restriction        | -                                     | (17,000)                           | (17,000)             |
| Restriction reclass              | -                                     | 14,890                             | 14,890               |
|                                  | <u>          </u>                     | <u>          </u>                  | <u>          </u>    |
| Endowment net assets - ending    | <u>\$ 198,232</u>                     | <u>\$ 19,326,018</u>               | <u>\$ 19,524,250</u> |

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

|                                  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets - beginning | \$ 183,435                            | \$ 17,796,236                      | \$ 17,979,671        |
| Contributions                    | -                                     | 22,410                             | 22,410               |
| Investment gain - net            | 28,225                                | 2,865,703                          | 2,893,928            |
| Released from restriction        | -                                     | (20,853)                           | (20,853)             |
| Allocated for spending           | -                                     | (16,500)                           | (16,500)             |
|                                  | <u>          </u>                     | <u>          </u>                  | <u>          </u>    |
| Endowment net assets - ending    | <u>\$ 211,660</u>                     | <u>\$ 20,646,996</u>               | <u>\$ 20,858,656</u> |

#### 15. SELF INSURANCE PROGRAM

The Corporation maintains workers' compensation insurance under a large deductible program (the "program") supplemented with commercial insurance coverage. Under the program, the Corporation covers claims up to \$350,000 per individual and has a maximum liability of \$1,783,000 annually. The commercial insurance covers all claims in excess of \$1,783,000.

At December 31, 2018 and 2017, the Corporation recorded a liability of \$2,040,000 and \$1,610,000, respectively, related to the estimated liabilities incurred under the program. These amounts are included in accrued expenses in the consolidated statements of financial position. The Corporation recognized expense of approximately \$1,770,000 in 2018 and \$611,000 in 2017 related to the program. These amounts are included in the various departmental expense categories in the consolidated statements of activities.

In connection with the program, the Corporation is required to maintain an irrevocable stand-by letter of credit totaling \$2,700,000 to secure the Corporation's future obligations under the terms of the program.

## 16. CONTINGENCIES

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverage or will have a material adverse effect on the consolidated financial statements.

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

### **St. Ann's Affordable Housing for Seniors, LLC**

In 2017, SAGRI began participation with Providence Housing Development Corporation (PHDC) and its affiliate Providence Durand Senior Apartments, LP in the construction of a low-income senior housing complex (the Project). While PHDC is the beneficiary of the completed Project, SAGRI anticipates capitalizing on healthcare services that can be offered to the residents and use of certain building space of the new construction.

In support of the Project, SAGRI has agreed to the following jointly and severally with PHDC and Durand Senior Apartments, LP:

- Guarantee the \$9,150,000 building loan agreement
- Guarantee the completion of the Project with plan specifications
- Relief or potential discharge of any hazardous substances affecting the property

SAGRI is entitled to certain co-developer payments during the term of the construction period as part of its participation in the Project. The Company received \$100,000 in co-developer payments during the year ended December 31, 2017.

The construction was completed in 2018 and St. Ann's Adult Day Program took occupancy in December 2018. SAGRI anticipates receiving a subsequent co-developer payment in 2019 with a subsequent payment made in 2020 upon completion of the first year audit.

SAGRI formed St. Ann's Affordable Housing for Seniors, LLC ("Affordable Housing") to lease space from PHDC and further sublease the space to St. Ann's Home for the Aged in order to provide adult day care services at the Project site. SAGRI is the sole member of Affordable Housing.

## 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2019, which is the date the financial statements were available to be issued.

In November 2018, SAGRI signed a letter of intent to acquire real property consisting of 50 independent resident units for \$7,000,000. Funding options for the purchase are currently being reviewed by the Board.

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

Schedule I

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

|  | Obligated Group |               |               | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI        | Chapel Oaks   | Foundation    | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------|---------------|---------------|------------------------|-----------------------------|--------------|---------------|---------------|------------------------|-----------------------|
|  | Cherry Ridge    | Home          | Care Center   |                        |                             |              |               |               |                        |                       |
| <b>ASSETS</b>  |                 |               |               |                        |                             |              |               |               |                        |                       |
| CURRENT ASSETS:  |                 |               |               |                        |                             |              |               |               |                        |                       |
| Cash and cash equivalents                              | \$ 662,815      | \$ 1,682,067  | \$ 2,380,600  | \$ -                   | \$ 4,725,482                | \$ -         | \$ 307,972    | \$ 3,651,784  | \$ -                   | \$ 8,685,238          |
| Resident accounts receivable - net                     | 79,638          | 6,400,323     | 834,522       | -                      | 7,314,483                   | -            | 3,313         | -             | -                      | 7,317,796             |
| Pledges receivable - current portion                   | -               | -             | -             | -                      | -                           | -            | -             | 397,054       | -                      | 397,054               |
| Other accounts receivable                              | -               | 332,568       | -             | -                      | 332,568                     | 100,000      | -             | 20,453        | -                      | 453,021               |
| Due from third party payors - current portion          | -               | -             | 682,825       | -                      | 682,825                     | -            | -             | -             | -                      | 682,825               |
| Related party loan receivable - current portion        | -               | 226,008       | 114,467       | (340,475)              | -                           | -            | -             | 127,185       | (127,185)              | -                     |
| Due from related parties                               | -               | 1,042,913     | 1,491,250     | (364,876)              | 2,169,287                   | -            | -             | -             | (2,169,287)            | -                     |
| Prepaid expenses and other current assets              | 76,758          | 1,951,362     | 27,879        | -                      | 2,055,999                   | 61,504       | 22,065        | 8,723         | -                      | 2,148,291             |
| Total current assets                                   | 819,211         | 11,635,241    | 5,531,543     | (705,351)              | 17,280,644                  | 161,504      | 333,350       | 4,205,199     | (2,296,472)            | 19,684,225            |
| PROPERTY AND EQUIPMENT, net                            | 26,184,146      | 41,783,941    | 11,533,887    | -                      | 79,501,974                  | -            | 12,445,622    | 3,852         | -                      | 91,951,448            |
| OTHER ASSETS:  |                 |               |               |                        |                             |              |               |               |                        |                       |
| Entrance fee and security deposits                     | 4,588,975       | -             | -             | -                      | 4,588,975                   | -            | 342,428       | -             | -                      | 4,931,403             |
| Investments  | 1,018,838       | 18,952,853    | 15,700,702    | -                      | 35,672,393                  | 4,249,298    | 2,394,322     | 39,450,758    | -                      | 81,766,771            |
| Other investments                                      | -               | 613,159       | -             | -                      | 613,159                     | -            | -             | -             | -                      | 613,159               |
| Pledges receivable - net of current portion            | -               | -             | -             | -                      | -                           | -            | -             | 800,782       | -                      | 800,782               |
| Due from third-party payors - net of current portion   | -               | 97,034        | 66,619        | -                      | 163,653                     | -            | -             | -             | -                      | 163,653               |
| Related party loan receivable - net of current portion | -               | 2,668,315     | 1,351,426     | (4,019,741)            | -                           | -            | -             | 1,501,585     | (1,501,585)            | -                     |
| Due from related parties - pension contributions       | -               | 506,218       | -             | (392,651)              | 113,567                     | -            | -             | -             | (113,567)              | -                     |
| Beneficial interest in remainder trusts                | -               | 708,873       | 175,755       | -                      | 884,628                     | -            | -             | -             | -                      | 884,628               |
| Beneficial interest in perpetual trusts                | -               | 372,868       | -             | -                      | 372,868                     | -            | -             | 2,101,111     | -                      | 2,473,979             |
| Interest in net assets of Foundation                   | 12,782          | 2,645,970     | 31,676        | -                      | 2,690,428                   | -            | -             | -             | (2,690,428)            | -                     |
| Investments - equity method                            | -               | 1,701,292     | -             | -                      | 1,701,292                   | 17,959       | -             | -             | -                      | 1,719,251             |
| Total other assets                                     | 5,620,595       | 28,266,582    | 17,326,178    | (4,412,392)            | 46,800,963                  | 4,267,257    | 2,736,750     | 43,854,236    | (4,305,580)            | 93,353,626            |
| Total assets   | \$ 32,623,952   | \$ 81,685,764 | \$ 34,391,608 | \$ (5,117,743)         | \$ 143,583,581              | \$ 4,428,761 | \$ 15,515,722 | \$ 48,063,287 | \$ (6,602,052)         | \$ 204,989,299        |

(Continued)

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

Schedule II

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

|   | Obligated Group      |                      |                      | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI               | Chapel Oaks          | Foundation           | Eliminating<br>Entries | Consolidated<br>Total |
|---|----------------------|----------------------|----------------------|------------------------|-----------------------------|---------------------|----------------------|----------------------|------------------------|-----------------------|
|   | Cherry Ridge         | Home                 | Care Center          |                        |                             |                     |                      |                      |                        |                       |
| <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| <b>CURRENT LIABILITIES:</b>                               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Accounts payable  | \$ 390,902           | \$ 1,756,437         | \$ 133,411           | \$ -                   | \$ 2,280,750                | \$ -                | \$ 87,808            | \$ 4,186             | \$ -                   | \$ 2,372,744          |
| Accrued expenses  | 516,256              | 5,562,742            | 550,497              | -                      | 6,629,495                   | -                   | 170,233              | 80,900               | -                      | 6,880,628             |
| Debt - current portion                                    | 780,369              | 833,765              | 468,134              | -                      | 2,082,268                   | -                   | 669,908              | -                    | -                      | 2,752,176             |
| Loans payable to related parties - current portion        | 467,660              | -                    | -                    | (340,475)              | 127,185                     | -                   | -                    | -                    | (127,185)              | -                     |
| Due to third-party payors - current portion               | -                    | 360,819              | 10,533               | -                      | 371,352                     | -                   | -                    | -                    | -                      | 371,352               |
| Due to related parties                                    | 983,846              | -                    | -                    | (364,876)              | 618,970                     | 871,748             | 273,542              | 405,027              | (2,169,287)            | -                     |
| Deferred revenue  | -                    | 407,666              | -                    | -                      | 407,666                     | -                   | 56,289               | -                    | -                      | 463,955               |
| Total current liabilities                                 | <u>3,139,033</u>     | <u>8,921,429</u>     | <u>1,162,575</u>     | <u>(705,351)</u>       | <u>12,517,686</u>           | <u>871,748</u>      | <u>1,257,780</u>     | <u>490,113</u>       | <u>(2,296,472)</u>     | <u>12,840,855</u>     |
| <b>LONG-TERM LIABILITIES:</b>                             |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Debt - net  | 23,689,628           | 25,267,909           | 14,192,437           | -                      | 63,149,974                  | -                   | 5,159,201            | -                    | -                      | 68,309,175            |
| Charitable gift annuity obligations                       | -                    | -                    | -                    | -                      | -                           | -                   | -                    | 63,884               | -                      | 63,884                |
| Loans payable to related parties - net of current portion | 5,521,326            | -                    | -                    | (4,019,741)            | 1,501,585                   | -                   | -                    | -                    | (1,501,585)            | -                     |
| Accrued pension cost                                      | 218,730              | 22,078,715           | 173,921              | (392,651)              | 22,078,715                  | -                   | 83,146               | 30,420               | (113,567)              | 22,078,714            |
| Due to third-party payors - net of current portion        | -                    | 139,408              | 118,522              | -                      | 257,930                     | -                   | -                    | -                    | -                      | 257,930               |
| Refundable fees and deposits                              | 3,522,000            | -                    | -                    | -                      | 3,522,000                   | -                   | -                    | -                    | -                      | 3,522,000             |
| Deferred revenues from entrance fees                      | 600,079              | -                    | -                    | -                      | 600,079                     | -                   | -                    | -                    | -                      | 600,079               |
| Deferred revenue  | 58,956               | -                    | -                    | -                      | 58,956                      | -                   | -                    | -                    | -                      | 58,956                |
| Security deposits   | 644,997              | -                    | -                    | -                      | 644,997                     | -                   | 342,356              | -                    | -                      | 987,353               |
| Fair value of derivative financial instruments            | 109,747              | 116,915              | 65,723               | -                      | 292,385                     | -                   | 78,940               | -                    | -                      | 371,325               |
| Deferred compensation                                     | -                    | 613,159              | -                    | -                      | 613,159                     | -                   | -                    | -                    | -                      | 613,159               |
| Other accrued liabilities                                 | -                    | 106,191              | 11,799               | -                      | 117,990                     | -                   | -                    | -                    | -                      | 117,990               |
| Total long-term liabilities                               | <u>34,365,463</u>    | <u>48,322,297</u>    | <u>14,562,402</u>    | <u>(4,412,392)</u>     | <u>92,837,770</u>           | <u>-</u>            | <u>5,663,643</u>     | <u>94,304</u>        | <u>(1,615,152)</u>     | <u>96,980,565</u>     |
| Total liabilities   | <u>37,504,496</u>    | <u>57,243,726</u>    | <u>15,724,977</u>    | <u>(5,117,743)</u>     | <u>105,355,456</u>          | <u>871,748</u>      | <u>6,921,423</u>     | <u>584,417</u>       | <u>(3,911,624)</u>     | <u>109,821,420</u>    |
| <b>NET ASSETS (DEFICIT):</b>                              |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Without donor restrictions                                | (4,893,326)          | 13,556,056           | 18,459,200           | -                      | 27,121,930                  | 3,557,013           | 8,594,299            | 29,957,786           | 121,683                | 69,352,711            |
| With donor restrictions                                   | 12,782               | 10,885,982           | 207,431              | -                      | 11,106,195                  | -                   | -                    | 17,521,084           | (2,812,111)            | 25,815,168            |
| Total net assets (deficit)                                | <u>(4,880,544)</u>   | <u>24,442,038</u>    | <u>18,666,631</u>    | <u>-</u>               | <u>38,228,125</u>           | <u>3,557,013</u>    | <u>8,594,299</u>     | <u>47,478,870</u>    | <u>(2,690,428)</u>     | <u>95,167,879</u>     |
| Total liabilities and net assets (deficit)                | <u>\$ 32,623,952</u> | <u>\$ 81,685,764</u> | <u>\$ 34,391,608</u> | <u>\$ (5,117,743)</u>  | <u>\$ 143,583,581</u>       | <u>\$ 4,428,761</u> | <u>\$ 15,515,722</u> | <u>\$ 48,063,287</u> | <u>\$ (6,602,052)</u>  | <u>\$ 204,989,299</u> |

The accompanying notes are an integral part of these schedules.

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

Schedule III

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

|   | Obligated Group |               |               | Eliminating<br>Entries | Obligated      | SAGRI     | Chapel Oaks  | Foundation | Eliminating<br>Entries | Consolidated<br>Total |
|---|-----------------|---------------|---------------|------------------------|----------------|-----------|--------------|------------|------------------------|-----------------------|
|   | Cherry Ridge    | Home          | Care Center   |                        | Group<br>Total |           |              |            |                        |                       |
| OPERATING REVENUE AND OTHER SUPPORT:      |                 |               |               |                        |                |           |              |            |                        |                       |
| Net resident service revenue              | \$ 8,756,254    | \$ 51,526,565 | \$ 10,458,932 | \$ -                   | \$ 70,741,751  | \$ -      | \$ 3,896,810 | \$ -       | \$ -                   | \$ 74,638,561         |
| Prior year revenue                        | -               | 964,959       | 854,560       | -                      | 1,819,519      | -         | -            | -          | -                      | 1,819,519             |
| Total net resident service revenue        | 8,756,254       | 52,491,524    | 11,313,492    | -                      | 72,561,270     | -         | 3,896,810    | -          | -                      | 76,458,080            |
| Contributions                             | -               | -             | -             | -                      | -              | -         | -            | 520,515    | -                      | 520,515               |
| Foundation operating support              | -               | -             | -             | -                      | -              | -         | -            | 937,268    | -                      | 937,268               |
| Other operating revenue                   | 213,558         | 1,493,187     | 20,156        | -                      | 1,726,901      | -         | 8,851        | -          | -                      | 1,735,752             |
| Total operating revenue and other support | 8,969,812       | 53,984,711    | 11,333,648    | -                      | 74,288,171     | -         | 3,905,661    | 1,457,783  | -                      | 79,651,615            |
| OPERATING EXPENSES:                       |                 |               |               |                        |                |           |              |            |                        |                       |
| Program                                   | 7,090,299       | 52,627,856    | 8,691,117     | (180,450)              | 68,228,822     | -         | 3,217,537    | 93,375     | (67,407)               | 71,472,328            |
| Management and general                    | 1,282,834       | 9,526,041     | 1,411,759     | -                      | 12,220,634     | 684,434   | 919,217      | 649,341    | -                      | 14,473,625            |
| Fundraising                               | -               | -             | -             | -                      | -              | -         | -            | 109,226    | -                      | 109,226               |
| Total operating expenses                  | 8,373,133       | 62,153,897    | 10,102,876    | (180,450)              | 80,449,456     | 684,434   | 4,136,754    | 851,942    | (67,407)               | 86,055,179            |
| INCOME (LOSS) FROM OPERATIONS             | 596,679         | (8,169,186)   | 1,230,772     | 180,450                | (6,161,285)    | (684,434) | (231,093)    | 605,841    | 67,407                 | (6,403,564)           |

(Continued)



ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

Schedule IV

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

|  | Obligated Group |               |               | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI        | Chapel Oaks  | Foundation    | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------|---------------|---------------|------------------------|-----------------------------|--------------|--------------|---------------|------------------------|-----------------------|
|  | Cherry Ridge    | Home          | Care Center   |                        |                             |              |              |               |                        |                       |
| INCOME (LOSS) FROM OPERATIONS                              | 596,679         | (8,169,186)   | 1,230,772     | 180,450                | (6,161,285)                 | (684,434)    | (231,093)    | 605,841       | 67,407                 | (6,403,564)           |
| OTHER INCOME (EXPENSE):                                    |                 |               |               |                        |                             |              |              |               |                        |                       |
| Noncash contribution from related party                    | -               | 1,126,852     | -             | (1,126,852)            | -                           | -            | -            | -             | -                      | -                     |
| Noncash contribution to related party                      | -               | -             | (1,126,852)   | 1,126,852              | -                           | -            | -            | -             | -                      | -                     |
| Contributions from related party - direct support          | 45,908          | 604,705       | -             | -                      | 650,613                     | 618,564      | -            | -             | (1,269,177)            | -                     |
| Contributions from related party - on behalf of donors     | -               | 85,900        | 12,089        | -                      | 97,989                      | -            | 150,682      | -             | (248,671)              | -                     |
| Contributions to related party - direct support            | -               | (69,036)      | (104,544)     | -                      | (173,580)                   | -            | -            | -             | 173,580                | -                     |
| Gifts to related parties - direct support                  | -               | -             | -             | -                      | -                           | -            | -            | (650,613)     | 650,613                | -                     |
| Gifts to related parties - on behalf of donors             | -               | -             | -             | -                      | -                           | -            | -            | (815,338)     | 815,338                | -                     |
| Investment income (loss) - net                             | 9,888           | (140,455)     | (768,539)     | -                      | (899,106)                   | (365,125)    | 23,303       | (1,716,613)   | -                      | (2,957,541)           |
| Interest income - related party                            | -               | 119,783       | 60,667        | (180,450)              | -                           | -            | -            | 67,407        | (67,407)               | -                     |
| Non-operating expenses                                     | -               | (30,000)      | -             | -                      | (30,000)                    | -            | -            | -             | -                      | (30,000)              |
| Change in fair value of derivative financial instruments   | 294,132         | 311,996       | 175,562       | -                      | 781,690                     | -            | 83,699       | -             | -                      | 865,389               |
| Net assets released from restrictions                      | -               | -             | -             | -                      | -                           | -            | -            | 537,598       | -                      | 537,598               |
| Foundation operating support                               | -               | -             | -             | -                      | -                           | -            | -            | (937,268)     | -                      | (937,268)             |
| Pension liability adjustment                               | -               | 1,787,633     | -             | -                      | 1,787,633                   | -            | -            | -             | -                      | 1,787,633             |
| Total other income (expense) - net                         | 349,928         | 3,797,378     | (1,751,617)   | (180,450)              | 2,215,239                   | 253,439      | 257,684      | (3,514,827)   | 54,276                 | (734,189)             |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS            | 946,607         | (4,371,808)   | (520,845)     | -                      | (3,946,046)                 | (430,995)    | 26,591       | (2,908,986)   | 121,683                | (7,137,753)           |
| NET ASSETS WITH DONOR RESTRICTIONS:                        |                 |               |               |                        |                             |              |              |               |                        |                       |
| Contributions  | -               | -             | -             | -                      | -                           | -            | -            | 2,674,221     | (121,683)              | 2,552,538             |
| Investment loss - net                                      | -               | (498,907)     | -             | -                      | (498,907)                   | -            | -            | (826,221)     | -                      | (1,325,128)           |
| Change in value of beneficial interest in remainder trusts | -               | (166,169)     | (31,046)      | -                      | (197,215)                   | -            | -            | -             | -                      | (197,215)             |
| Change in value of beneficial interest in perpetual trusts | -               | (45,095)      | -             | -                      | (45,095)                    | -            | -            | (192,745)     | -                      | (237,840)             |
| Change in interest in net assets of Foundation             | 12,782          | 2,014,008     | -             | -                      | 2,026,790                   | -            | -            | -             | (2,026,790)            | -                     |
| Bad debt   | -               | -             | -             | -                      | -                           | -            | -            | (45,679)      | -                      | (45,679)              |
| Net assets released from restrictions                      | -               | -             | -             | -                      | -                           | -            | -            | (537,598)     | -                      | (537,598)             |
| Restriction reclass  | -               | -             | -             | -                      | -                           | -            | -            | -             | -                      | -                     |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS               | 12,782          | 1,303,837     | (31,046)      | -                      | 1,285,573                   | -            | -            | 1,071,978     | (2,148,473)            | 209,078               |
| CHANGE IN NET ASSETS                                       | 959,389         | (3,067,971)   | (551,891)     | -                      | (2,660,473)                 | (430,995)    | 26,591       | (1,837,008)   | (2,026,790)            | (6,928,675)           |
| NET ASSETS (DEFICIT) - beginning of year                   | (5,839,933)     | 27,510,009    | 19,218,522    | -                      | 40,888,598                  | 3,988,008    | 8,567,708    | 49,315,878    | (663,638)              | 102,096,554           |
| NET ASSETS (DEFICIT) - end of year                         | \$ (4,880,544)  | \$ 24,442,038 | \$ 18,666,631 | \$ -                   | \$ 38,228,125               | \$ 3,557,013 | \$ 8,594,299 | \$ 47,478,870 | \$ (2,690,428)         | \$ 95,167,879         |

The accompanying notes are an integral part of these schedules.

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

Schedule V

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

|  | Obligated Group      |                      |                      | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI               | Chapel Oaks          | Foundation           | Eliminating<br>Entries | Consolidated<br>Total |
|--|----------------------|----------------------|----------------------|------------------------|-----------------------------|---------------------|----------------------|----------------------|------------------------|-----------------------|
|  | Cherry Ridge         | Home                 | Care Center          |                        |                             |                     |                      |                      |                        |                       |
| <b>ASSETS</b>  |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| CURRENT ASSETS:  |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Cash and cash equivalents                              | \$ 1,355,051         | \$ 6,132,708         | \$ 2,040,777         | \$ -                   | \$ 9,528,536                | \$ -                | \$ 767,198           | \$ 2,275,715         | \$ -                   | \$ 12,571,449         |
| Resident accounts receivable - net                     | 40,110               | 6,724,900            | 777,919              | -                      | 7,542,929                   | -                   | 3,112                | -                    | -                      | 7,546,041             |
| Pledges receivable - current portion                   | -                    | -                    | -                    | -                      | -                           | -                   | -                    | 41,000               | -                      | 41,000                |
| Other accounts receivable                              | -                    | 115,963              | -                    | -                      | 115,963                     | -                   | -                    | 29,939               | -                      | 145,902               |
| Due from third party payors - current portion          | -                    | 504,049              | 112,985              | -                      | 617,034                     | -                   | -                    | -                    | -                      | 617,034               |
| Related party loan receivable - current portion        | -                    | 217,161              | 109,986              | (327,147)              | -                           | -                   | -                    | 122,207              | (122,207)              | -                     |
| Due from related parties                               | -                    | 2,340,322            | 533,732              | (844,041)              | 2,030,013                   | -                   | -                    | -                    | (2,030,013)            | -                     |
| Prepaid expenses and other current assets              | 76,749               | 2,644,608            | 28,461               | -                      | 2,749,818                   | 61,340              | 26,537               | 8,182                | -                      | 2,845,877             |
| Total current assets                                   | <u>1,471,910</u>     | <u>18,679,711</u>    | <u>3,603,860</u>     | <u>(1,171,188)</u>     | <u>22,584,293</u>           | <u>61,340</u>       | <u>796,847</u>       | <u>2,477,043</u>     | <u>(2,152,220)</u>     | <u>23,767,303</u>     |
| PROPERTY AND EQUIPMENT, net                            | <u>26,299,412</u>    | <u>41,220,717</u>    | <u>13,833,167</u>    | <u>-</u>               | <u>81,353,296</u>           | <u>-</u>            | <u>12,949,648</u>    | <u>2,708</u>         | <u>-</u>               | <u>94,305,652</u>     |
| OTHER ASSETS:  |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Entrance fee and security deposits                     | 4,820,430            | -                    | -                    | -                      | 4,820,430                   | -                   | 330,452              | -                    | -                      | 5,150,882             |
| Investments  | 1,008,950            | 20,174,246           | 16,402,766           | -                      | 37,585,962                  | 4,573,975           | 2,371,018            | 43,493,440           | -                      | 88,024,395            |
| Other investments                                      | -                    | 671,769              | -                    | -                      | 671,769                     | -                   | -                    | -                    | -                      | 671,769               |
| Pledges receivable - net of current portion            | -                    | -                    | -                    | -                      | -                           | -                   | -                    | 5,212                | -                      | 5,212                 |
| Due from third-party payors - net of current portion   | -                    | 208,445              | 30,015               | -                      | 238,460                     | -                   | -                    | -                    | -                      | 238,460               |
| Related party loan receivable - net of current portion | -                    | 2,894,324            | 1,465,893            | (4,360,217)            | -                           | -                   | -                    | 1,628,770            | (1,628,770)            | -                     |
| Due from related parties - pension contributions       | -                    | 759,068              | -                    | (607,166)              | 151,902                     | -                   | -                    | -                    | (151,902)              | -                     |
| Beneficial interest in remainder trusts                | -                    | 875,042              | 206,801              | -                      | 1,081,843                   | -                   | -                    | 38,546               | -                      | 1,120,389             |
| Beneficial interest in perpetual trusts                | -                    | 417,963              | -                    | -                      | 417,963                     | -                   | -                    | 2,293,856            | -                      | 2,711,819             |
| Interest in net assets of Foundation                   | -                    | 631,962              | 31,676               | -                      | 663,638                     | -                   | -                    | -                    | (663,638)              | -                     |
| Investments - equity method                            | -                    | 1,403,574            | -                    | -                      | 1,403,574                   | 33,406              | -                    | -                    | -                      | 1,436,980             |
| Total other assets                                     | <u>5,829,380</u>     | <u>28,036,393</u>    | <u>18,137,151</u>    | <u>(4,967,383)</u>     | <u>47,035,541</u>           | <u>4,607,381</u>    | <u>2,701,470</u>     | <u>47,459,824</u>    | <u>(2,444,310)</u>     | <u>99,359,906</u>     |
| Total assets   | <u>\$ 33,600,702</u> | <u>\$ 87,936,821</u> | <u>\$ 35,574,178</u> | <u>\$ (6,138,571)</u>  | <u>\$ 150,973,130</u>       | <u>\$ 4,668,721</u> | <u>\$ 16,447,965</u> | <u>\$ 49,939,575</u> | <u>\$ (4,596,530)</u>  | <u>\$ 217,432,861</u> |

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

|   | Obligated Group      |                      |                      | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI               | Chapel Oaks          | Foundation           | Eliminating<br>Entries | Consolidated<br>Total |
|---|----------------------|----------------------|----------------------|------------------------|-----------------------------|---------------------|----------------------|----------------------|------------------------|-----------------------|
|   | Cherry Ridge         | Home                 | Care Center          |                        |                             |                     |                      |                      |                        |                       |
| <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| <b>CURRENT LIABILITIES:</b>                               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Accounts payable  | \$ 284,643           | \$ 1,929,162         | \$ 173,248           | \$ -                   | \$ 2,387,053                | \$ 4,000            | \$ 100,174           | \$ 3,781             | \$ -                   | \$ 2,495,008          |
| Accrued expenses  | 493,979              | 5,078,855            | 498,391              | -                      | 6,071,225                   | -                   | 157,188              | 67,821               | -                      | 6,296,234             |
| Debt - current portion                                    | 754,599              | 806,287              | 452,749              | -                      | 2,013,635                   | -                   | 649,465              | -                    | -                      | 2,663,100             |
| Loans payable to related parties - current portion        | 449,354              | -                    | -                    | (327,147)              | 122,207                     | -                   | -                    | -                    | (122,207)              | -                     |
| Due to third-party payors - current portion               | -                    | -                    | -                    | -                      | -                           | -                   | -                    | -                    | -                      | -                     |
| Due to related parties                                    | 1,225,497            | -                    | -                    | (844,041)              | 381,456                     | 676,713             | 510,984              | 460,860              | (2,030,013)            | -                     |
| Deferred revenue  | -                    | 372,438              | -                    | -                      | 372,438                     | -                   | 55,231               | -                    | -                      | 427,669               |
| <b>Total current liabilities</b>                          | <b>3,208,072</b>     | <b>8,186,742</b>     | <b>1,124,388</b>     | <b>(1,171,188)</b>     | <b>11,348,014</b>           | <b>680,713</b>      | <b>1,473,042</b>     | <b>532,462</b>       | <b>(2,152,220)</b>     | <b>11,882,011</b>     |
| <b>LONG-TERM LIABILITIES:</b>                             |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Debt - net  | 24,425,670           | 26,057,421           | 14,635,273           | -                      | 65,118,364                  | -                   | 5,800,655            | -                    | -                      | 70,919,019            |
| Charitable gift annuity obligations                       | -                    | -                    | -                    | -                      | -                           | -                   | -                    | 52,570               | -                      | 52,570                |
| Loans payable to related parties - net of current portion | 5,988,987            | -                    | -                    | (4,360,217)            | 1,628,770                   | -                   | -                    | -                    | (1,628,770)            | -                     |
| Accrued pension cost                                      | 277,102              | 24,961,383           | 330,064              | (607,166)              | 24,961,383                  | -                   | 113,237              | 38,665               | (151,902)              | 24,961,383            |
| Due to third-party payors - net of current portion        | -                    | 9,094                | 12,258               | -                      | 21,352                      | -                   | -                    | -                    | -                      | 21,352                |
| Refundable fees and deposits                              | 3,796,590            | -                    | -                    | -                      | 3,796,590                   | -                   | -                    | -                    | -                      | 3,796,590             |
| Deferred revenues from entrance fees                      | 663,517              | -                    | -                    | -                      | 663,517                     | -                   | -                    | -                    | -                      | 663,517               |
| Deferred revenue  | 50,505               | -                    | -                    | -                      | 50,505                      | -                   | -                    | -                    | -                      | 50,505                |
| Security deposits   | 626,313              | -                    | -                    | -                      | 626,313                     | -                   | 330,684              | -                    | -                      | 956,997               |
| Fair value of derivative financial instruments            | 403,879              | 428,911              | 241,285              | -                      | 1,074,075                   | -                   | 162,639              | -                    | -                      | 1,236,714             |
| Deferred compensation                                     | -                    | 671,769              | -                    | -                      | 671,769                     | -                   | -                    | -                    | -                      | 671,769               |
| Other accrued liabilities                                 | -                    | 111,492              | 12,388               | -                      | 123,880                     | -                   | -                    | -                    | -                      | 123,880               |
| <b>Total long-term liabilities</b>                        | <b>36,232,563</b>    | <b>52,240,070</b>    | <b>15,231,268</b>    | <b>(4,967,383)</b>     | <b>98,736,518</b>           | <b>-</b>            | <b>6,407,215</b>     | <b>91,235</b>        | <b>(1,780,672)</b>     | <b>103,454,296</b>    |
| <b>Total liabilities</b>                                  | <b>39,440,635</b>    | <b>60,426,812</b>    | <b>16,355,656</b>    | <b>(6,138,571)</b>     | <b>110,084,532</b>          | <b>680,713</b>      | <b>7,880,257</b>     | <b>623,697</b>       | <b>(3,932,892)</b>     | <b>115,336,307</b>    |
| <b>NET ASSETS (DEFICIT):</b>                              |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Without donor restrictions                                | (5,839,933)          | 17,927,864           | 18,980,045           | -                      | 31,067,976                  | 3,988,008           | 8,567,708            | 32,866,772           | -                      | 76,490,464            |
| With donor restrictions                                   | -                    | 9,582,145            | 238,477              | -                      | 9,820,622                   | -                   | -                    | 16,449,106           | (663,638)              | 25,606,090            |
| <b>Total net assets (deficit)</b>                         | <b>(5,839,933)</b>   | <b>27,510,009</b>    | <b>19,218,522</b>    | <b>-</b>               | <b>40,888,598</b>           | <b>3,988,008</b>    | <b>8,567,708</b>     | <b>49,315,878</b>    | <b>(663,638)</b>       | <b>102,096,554</b>    |
| <b>Total liabilities and net assets (deficit)</b>         | <b>\$ 33,600,702</b> | <b>\$ 87,936,821</b> | <b>\$ 35,574,178</b> | <b>\$ (6,138,571)</b>  | <b>\$ 150,973,130</b>       | <b>\$ 4,668,721</b> | <b>\$ 16,447,965</b> | <b>\$ 49,939,575</b> | <b>\$ (4,596,530)</b>  | <b>\$ 217,432,861</b> |

The accompanying notes are an integral part of these schedules.

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | Obligated Group |               |               | Eliminating<br>Entries | Obligated      | SAGRI     | Chapel Oaks  | Foundation | Eliminating<br>Entries | Consolidated<br>Total |
|---|-----------------|---------------|---------------|------------------------|----------------|-----------|--------------|------------|------------------------|-----------------------|
|   | Cherry Ridge    | Home          | Care Center   |                        | Group<br>Total |           |              |            |                        |                       |
| OPERATING REVENUE AND OTHER SUPPORT:      |                 |               |               |                        |                |           |              |            |                        |                       |
| Net resident service revenue              | \$ 8,894,193    | \$ 56,672,588 | \$ 10,594,836 | \$ -                   | \$ 76,161,617  | \$ -      | \$ 4,209,976 | \$ -       | \$ -                   | \$ 80,371,593         |
| Prior year revenue                        | -               | 505,016       | 48,432        | -                      | 553,448        | -         | -            | -          | -                      | 553,448               |
| Total net resident service revenue        | 8,894,193       | 57,177,604    | 10,643,268    | -                      | 76,715,065     | -         | 4,209,976    | -          | -                      | 80,925,041            |
| Contributions                             | -               | -             | -             | -                      | -              | -         | -            | 848,302    | -                      | 848,302               |
| Foundation operating support              | -               | -             | -             | -                      | -              | -         | -            | 704,996    | -                      | 704,996               |
| Other operating revenue                   | 349,983         | 1,482,407     | 35,595        | -                      | 1,867,985      | -         | 4,332        | -          | -                      | 1,872,317             |
| Total operating revenue and other support | 9,244,176       | 58,660,011    | 10,678,863    | -                      | 78,583,050     | -         | 4,214,308    | 1,553,298  | -                      | 84,350,656            |
| OPERATING EXPENSES:                       |                 |               |               |                        |                |           |              |            |                        |                       |
| Program                                   | 6,683,301       | 50,221,283    | 8,571,654     | (193,299)              | 65,282,938     | -         | 3,178,632    | 91,957     | (72,207)               | 68,481,320            |
| Management and general                    | 1,344,183       | 8,297,566     | 1,227,599     | -                      | 10,869,349     | 784,743   | 845,803      | 620,562    | -                      | 13,120,457            |
| Fundraising                               | -               | -             | -             | -                      | -              | -         | -            | 89,601     | -                      | 89,601                |
| Total operating expenses                  | 8,027,484       | 58,518,849    | 9,799,253     | (193,299)              | 76,152,287     | 784,743   | 4,024,435    | 802,120    | (72,207)               | 81,691,378            |
| INCOME (LOSS) FROM OPERATIONS             | 1,216,692       | 141,162       | 879,610       | 193,299                | 2,430,763      | (784,743) | 189,873      | 751,178    | 72,207                 | 2,659,278             |

(Continued)

ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

Schedule VIII

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|  | Obligated Group |               |               | Eliminating<br>Entries | Obligated      | SAGRI        | Chapel Oaks  | Foundation    | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------|---------------|---------------|------------------------|----------------|--------------|--------------|---------------|------------------------|-----------------------|
|  | Cherry Ridge    | Home          | Care Center   |                        | Group<br>Total |              |              |               |                        |                       |
| INCOME (LOSS) FROM OPERATIONS                              | 1,216,692       | 141,162       | 879,610       | 193,299                | 2,430,763      | (784,743)    | 189,873      | 751,178       | 72,207                 | 2,659,278             |
| OTHER INCOME (EXPENSE):                                    |                 |               |               |                        |                |              |              |               |                        |                       |
| Contributions from related party - direct support          | 41,854          | 408,250       | -             | -                      | 450,104        | 578,365      | -            | -             | (1,028,469)            | -                     |
| Contributions from related party - on behalf of donors     | -               | 105,756       | 8,635         | -                      | 114,391        | -            | 1,450        | -             | (115,841)              | -                     |
| Contributions to related party - direct support            | -               | (63,528)      | (94,836)      | -                      | (158,364)      | -            | -            | -             | 158,364                | -                     |
| Gifts to related parties - direct support                  | -               | -             | -             | -                      | -              | -            | -            | (449,880)     | 449,880                | -                     |
| Gifts to related parties - on behalf of donors             | -               | -             | -             | -                      | -              | -            | -            | (536,066)     | 536,066                | -                     |
| Investment income - net                                    | 8,951           | 1,971,157     | 1,735,592     | -                      | 3,715,700      | 671,274      | 21,018       | 4,046,616     | -                      | 8,454,608             |
| Interest income - related party                            | -               | 128,312       | 64,987        | (193,299)              | -              | -            | -            | 72,207        | (72,207)               | -                     |
| Non-operating expenses                                     | -               | (30,000)      | -             | -                      | (30,000)       | -            | -            | -             | -                      | (30,000)              |
| Other Income   | -               | -             | -             | -                      | -              | 100,000      | -            | -             | -                      | 100,000               |
| Change in fair value of derivative financial instruments   | 166,265         | 176,784       | 99,422        | -                      | 442,471        | -            | 92,471       | -             | -                      | 534,942               |
| Net assets released from restrictions                      | -               | -             | -             | -                      | -              | -            | -            | 250,606       | -                      | 250,606               |
| Foundation operating support                               | -               | -             | -             | -                      | -              | -            | -            | (704,996)     | -                      | (704,996)             |
| Restriction reclass  | -               | -             | -             | -                      | -              | -            | -            | 16,500        | -                      | 16,500                |
| Pension liability adjustment                               | -               | (3,217,226)   | -             | -                      | (3,217,226)    | -            | -            | -             | -                      | (3,217,226)           |
| Total other income (expense) - net                         | 217,070         | (520,495)     | 1,813,800     | (193,299)              | 1,317,076      | 1,349,639    | 114,939      | 2,694,987     | (72,207)               | 5,404,434             |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS            | 1,433,762       | (379,333)     | 2,693,410     | -                      | 3,747,839      | 564,896      | 304,812      | 3,446,165     | -                      | 8,063,712             |
| NET ASSETS WITH DONOR RESTRICTIONS:                        |                 |               |               |                        |                |              |              |               |                        |                       |
| Contributions  | -               | -             | -             | -                      | -              | -            | -            | 1,001,164     | -                      | 1,001,164             |
| Investment income - net                                    | -               | 1,080,937     | -             | -                      | 1,080,937      | -            | -            | 1,784,766     | -                      | 2,865,703             |
| Change in value of beneficial interest in remainder trusts | -               | (495,139)     | 19,803        | -                      | (475,336)      | -            | -            | 3,319         | -                      | (472,017)             |
| Change in value of beneficial interest in perpetual trusts | -               | 35,850        | -             | -                      | 35,850         | -            | -            | 204,396       | -                      | 240,246               |
| Change in interest in net assets of Foundation             | -               | 598,563       | 31,676        | -                      | 630,239        | -            | -            | -             | (630,239)              | -                     |
| Net assets released from restrictions                      | -               | -             | -             | -                      | -              | -            | -            | (250,606)     | -                      | (250,606)             |
| Restriction reclass  | -               | -             | -             | -                      | -              | -            | -            | (16,500)      | -                      | (16,500)              |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS               | -               | 1,220,211     | 51,479        | -                      | 1,271,690      | -            | -            | 2,726,539     | (630,239)              | 3,367,990             |
| CHANGE IN NET ASSETS                                       | 1,433,762       | 840,878       | 2,744,889     | -                      | 5,019,529      | 564,896      | 304,812      | 6,172,704     | (630,239)              | 11,431,702            |
| NET ASSETS (DEFICIT) - beginning of year                   | (7,273,695)     | 26,669,131    | 16,473,633    | -                      | 35,869,069     | 3,423,112    | 8,262,896    | 43,143,174    | (33,399)               | 90,664,852            |
| NET ASSETS (DEFICIT) - end of year                         | \$ (5,839,933)  | \$ 27,510,009 | \$ 19,218,522 | \$ -                   | \$ 40,888,598  | \$ 3,988,008 | \$ 8,567,708 | \$ 49,315,878 | \$ (663,638)           | \$ 102,096,554        |

The accompanying notes are an integral part of these schedules.

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**ST. ANN'S OF GREATER ROCHESTER, INC.**

**Consolidated Financial Statements as of  
December 31, 2017 and 2016  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

April 2, 2018

To the Board of Directors of  
St. Ann's of Greater Rochester, Inc.:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Ann's of Greater Rochester, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the 2017 consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Ann's of Greater Rochester, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Prior Period Financial Statements**

The consolidated financial statements and consolidating supplemental schedules of St. Ann's of Greater Rochester, Inc. as of December 31, 2016, were audited by other auditors whose report dated March 13, 2017, expressed an unmodified opinion on those statements.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 consolidating supplementary information on pages 29 to 32 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Bonadio & Co., LLP*

**ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

|   | <u>2017</u>           | <u>2016</u>           |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| CURRENT ASSETS:   |                       |                       |
| Cash and cash equivalents                                 | \$ 12,571,449         | \$ 20,182,615         |
| Resident accounts receivable - net                        | 7,546,041             | 6,624,639             |
| Pledges receivable - current portion                      | 41,000                | 128,467               |
| Other accounts receivable                                 | 145,902               | 196,292               |
| Due from third party payors - current portion             | 617,034               | 703,863               |
| Prepaid expenses and other current assets                 | <u>2,845,877</u>      | <u>1,346,834</u>      |
| Total current assets                                      | <u>23,767,303</u>     | <u>29,182,710</u>     |
| PROPERTY AND EQUIPMENT, net                               | <u>94,305,652</u>     | <u>96,931,698</u>     |
| OTHER ASSETS:   |                       |                       |
| Entrance fee and security deposits                        | 5,150,882             | 4,635,565             |
| Investments   | 88,024,395            | 69,560,159            |
| Other investments   | 671,769               | 573,902               |
| Pledges receivable - net of current portion and allowance | 5,212                 | 13,482                |
| Due from third-party payors - net of current portion      | 238,460               | 238,460               |
| Beneficial interest in remainder trusts                   | 1,120,389             | 1,592,406             |
| Beneficial interest in perpetual trusts                   | 2,711,819             | 2,471,573             |
| Investments - equity method                               | <u>1,436,980</u>      | <u>1,128,307</u>      |
| Total other assets  | <u>99,359,906</u>     | <u>80,213,854</u>     |
| Total assets  | <u>\$ 217,432,861</u> | <u>\$ 206,328,262</u> |
| <b>LIABILITIES AND NET ASSETS</b>                         |                       |                       |
| CURRENT LIABILITIES:                                      |                       |                       |
| Accounts payable  | \$ 2,495,008          | \$ 1,867,029          |
| Accrued expenses  | 6,296,234             | 7,575,626             |
| Debt - current portion                                    | 2,663,100             | 2,576,682             |
| Due to third-party payors - current portion               | -                     | 608,064               |
| Deferred revenue  | <u>427,669</u>        | <u>68,323</u>         |
| Total current liabilities                                 | <u>11,882,011</u>     | <u>12,695,724</u>     |
| LONG-TERM LIABILITIES:                                    |                       |                       |
| Debt - net  | 70,919,019            | 73,439,682            |
| Charitable gift annuity obligations                       | 52,570                | 51,573                |
| Accrued pension cost                                      | 24,961,383            | 21,870,261            |
| Due to third-party payors - net of current portion        | 21,352                | 21,352                |
| Refundable fees and deposits                              | 3,796,590             | 3,608,577             |
| Deferred revenues from entrance fees                      | 663,517               | 448,861               |
| Deferred revenue  | 50,505                | 45,102                |
| Security deposits   | 956,997               | 1,002,113             |
| Fair value of derivative financial instruments            | 1,236,714             | 1,771,656             |
| Deferred compensation                                     | 671,769               | 573,902               |
| Other accrued liabilities                                 | <u>123,880</u>        | <u>134,607</u>        |
| Total long-term liabilities                               | <u>103,454,296</u>    | <u>102,967,686</u>    |
| Total liabilities   | <u>115,336,307</u>    | <u>115,663,410</u>    |
| NET ASSETS:   |                       |                       |
| Unrestricted  | 76,490,464            | 68,426,752            |
| Temporarily restricted                                    | 19,039,657            | 15,982,684            |
| Permanently restricted                                    | <u>6,566,433</u>      | <u>6,255,416</u>      |
| Total net assets  | <u>102,096,554</u>    | <u>90,664,852</u>     |
| Total liabilities and net assets                          | <u>\$ 217,432,861</u> | <u>\$ 206,328,262</u> |

The accompanying notes are an integral part of these statements.

**ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

|  | <u>2017</u>           | <u>2016</u>          |
|--|-----------------------|----------------------|
| REVENUE AND OTHER SUPPORT:                                 |                       |                      |
| Net resident service revenue                               | \$ 80,371,593         | \$ 80,211,673        |
| Prior year revenue   | 553,448               | 1,106,896            |
| Total net resident service revenue                         | <u>80,925,041</u>     | <u>81,318,569</u>    |
| Contributions  | 848,302               | 284,933              |
| Foundation operating support                               | 704,996               | 867,880              |
| Other operating revenue                                    | <u>1,872,317</u>      | <u>1,317,065</u>     |
| Total revenue and other support                            | <u>84,350,656</u>     | <u>83,788,447</u>    |
| OPERATING EXPENSES:  |                       |                      |
| Nursing  | 24,995,796            | 25,182,907           |
| Assisted living  | 1,340,425             | 1,460,327            |
| Rehabilitation   | 3,416,886             | 3,617,142            |
| Other professional services                                | 5,535,197             | 6,351,681            |
| Adult day services   | 1,025,972             | 1,040,051            |
| Dietary  | 7,681,449             | 7,793,814            |
| Housekeeping and laundry                                   | 2,717,695             | 2,885,923            |
| Social services and activities                             | 2,488,514             | 2,568,374            |
| Plant operations   | 5,373,030             | 5,420,933            |
| General and administrative                                 | 13,759,447            | 14,482,440           |
| New York State assessment expense                          | 3,556,903             | 3,584,766            |
| Bad debt expense (recovery) - net                          | (1,185,060)           | (126,353)            |
| Depreciation   | 8,395,067             | 8,227,962            |
| Interest   | <u>2,590,057</u>      | <u>2,456,824</u>     |
| Total operating expenses                                   | <u>81,691,378</u>     | <u>84,946,791</u>    |
| INCOME (LOSS) FROM OPERATIONS                              | <u>2,659,278</u>      | <u>(1,158,344)</u>   |
| OTHER INCOME (EXPENSES):                                   |                       |                      |
| Investment income - net                                    | 8,454,608             | 5,655,457            |
| Non-operating expenses                                     | (30,000)              | (30,000)             |
| Other income   | 100,000               | -                    |
| Change in fair value of derivative financial instruments   | 534,942               | 711,667              |
| Net assets released from restrictions                      | 250,606               | 1,347,717            |
| Foundation operating support                               | (704,996)             | (867,880)            |
| Restriction reclass  | 16,500                | (60,017)             |
| Pension liability adjustment                               | <u>(3,217,226)</u>    | <u>2,487,531</u>     |
| Total other income (expenses) - net                        | <u>5,404,434</u>      | <u>9,244,475</u>     |
| CHANGE IN UNRESTRICTED NET ASSETS                          | <u>8,063,712</u>      | <u>8,086,131</u>     |
| TEMPORARILY RESTRICTED NET ASSETS:                         |                       |                      |
| Contributions  | 978,754               | 395,217              |
| Investment income - net                                    | 2,817,342             | 1,853,889            |
| Change in value of beneficial interest in remainder trusts | (472,017)             | 57,209               |
| Net assets released from restrictions                      | (250,606)             | (1,347,717)          |
| Restriction reclass  | <u>(16,500)</u>       | <u>56,402</u>        |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS                | <u>3,056,973</u>      | <u>1,015,000</u>     |
| PERMANENTLY RESTRICTED NET ASSETS:                         |                       |                      |
| Contributions  | 22,410                | 52,028               |
| Investment income - net                                    | 48,361                | 31,669               |
| Change in value of beneficial interest in perpetual trusts | 240,246               | (43,441)             |
| Restriction reclass  | <u>-</u>              | <u>3,615</u>         |
| CHANGE IN PERMANENTLY RESTRICTED NET ASSETS                | <u>311,017</u>        | <u>43,871</u>        |
| CHANGE IN NET ASSETS                                       | 11,431,702            | 9,145,002            |
| NET ASSETS - beginning of year                             | <u>90,664,852</u>     | <u>81,519,850</u>    |
| NET ASSETS - end of year                                   | <u>\$ 102,096,554</u> | <u>\$ 90,664,852</u> |

The accompanying notes are an integral part of these statements.

**ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>   |                      |                      |
| Change in net assets  | \$ 11,431,702        | \$ 9,145,002         |
| Adjustments to reconcile change in net assets to net cash flow from operating activities: |                      |                      |
| Bad debt expense  | 18,451               | 144,116              |
| Depreciation  | 8,395,067            | 8,227,962            |
| Amortization of debt issuance costs   | 142,437              | 140,321              |
| Amortization of nonrefundable entrance fees   | (137,919)            | (108,442)            |
| Net realized and unrealized gain on investments   | (8,696,877)          | (5,783,924)          |
| Change in fair value of derivative financial instruments                                  | (534,942)            | (711,667)            |
| Change in value of beneficial interest in remainder trusts                                | 472,017              | (57,209)             |
| Change in value of beneficial interest in perpetual trusts                                | (240,246)            | 43,441               |
| Change in investments - equity method   | (308,673)            | (142,292)            |
| Changes in:   |                      |                      |
| Resident accounts receivable - net  | (939,853)            | 284,837              |
| Pledges receivable  | 95,737               | 480,263              |
| Other accounts receivable   | 50,390               | 29,369               |
| Prepaid expenses and other current assets   | (1,499,043)          | 181,927              |
| Due to/from third party payors  | (521,235)            | 1,304,093            |
| Entrance fee deposits   | (515,317)            | 498,199              |
| Accounts payable  | 627,979              | (545,395)            |
| Accrued expenses  | (1,279,392)          | 1,371,893            |
| Deferred revenue  | 364,749              | 47,996               |
| Charitable gift annuity obligations   | 997                  | (1,668)              |
| Accrued pension cost  | 3,091,121            | (1,346,795)          |
| Deferred revenues from entrance fees  | 352,575              | (6,838)              |
| Security deposits   | (45,116)             | 35,099               |
| Deferred compensation   | 97,867               | 56,489               |
| Other accrued liabilities   | (10,727)             | (44,121)             |
| Net cash flow from operating activities   | <u>10,411,749</u>    | <u>13,242,656</u>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>   |                      |                      |
| Purchases of property and equipment   | (5,769,021)          | (5,945,375)          |
| Purchases of investments  | (11,389,076)         | (1,880,570)          |
| Sales of investments  | 1,621,718            | 2,099,014            |
| Changes in other investments  | (97,867)             | (56,489)             |
| Net cash flow from investing activities   | <u>(15,634,246)</u>  | <u>(5,783,420)</u>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>   |                      |                      |
| Repayment of debt   | (2,576,682)          | (2,484,099)          |
| Net proceeds from (repayments of) refundable fees and deposits                            | 188,013              | (536,652)            |
| Net cash flow from financing activities   | <u>(2,388,669)</u>   | <u>(3,020,751)</u>   |
| CHANGE IN CASH AND CASH EQUIVALENTS   | (7,611,166)          | 4,438,485            |
| CASH AND CASH EQUIVALENTS - beginning of year   | <u>20,182,615</u>    | <u>15,744,130</u>    |
| CASH AND CASH EQUIVALENTS - end of year   | <u>\$ 12,571,449</u> | <u>\$ 20,182,615</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                  |                      |                      |
| Cash paid for interest  | <u>\$ 2,713,870</u>  | <u>\$ 2,615,940</u>  |

The accompanying notes are an integral part of these statements.

## ST. ANN'S OF GREATER ROCHESTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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#### 1. SCOPE OF BUSINESS

St. Ann's of Greater Rochester, Inc. ("SAGRI"), a nonprofit corporation, was formed in 1995 to support the long-term mission of the following controlled entities:

- St. Ann's Home for the Aged (the "Home") is a nonprofit corporation that operates a 470-bed residential health care facility providing nursing, rehabilitation, and hospice services to the elderly. The Home also operates Home Connection, a medical adult day care program for the elderly, Home and Heart, a social day care program for the elderly, the Wegman Transitional Care Center, which is a freestanding rehab center, and the Leo Center for Caring, which is a 10-bed hospice unit located within the Wegman Transitional Care Center. The Home's operations are located in Rochester, New York.
- St. Ann's Nursing Home Company, Inc. d/b/a The Heritage (the "Care Center") is a nonprofit corporation that operates St. Ann's Care Center at Cherry Ridge, a 72-bed residential health care facility, providing inpatient post-acute rehabilitation care and palliative care, in Webster, New York;
- Chapel Oaks, Inc. ("Chapel Oaks") is a nonprofit corporation that operates 120 independent living rental units for seniors in Rochester, New York.
- St. Ann's Senior Housing, Inc. d/b/a Cherry Ridge ("Cherry Ridge") is a nonprofit corporation that operates a housing project (the "Project") for seniors in Webster, New York. The Project consists of 55 independent living cottage units, 71 independent living apartment units, 78 licensed assisted living beds (75 total units, 3 of which are two bedroom), and common areas. The 78 licensed assisted living beds include 24 assisted living special care suites. Cherry Ridge established three separate limited liability companies ("LLCs") to facilitate the tax-exempt financing for each of its three lines of business; Cherry Ridge Independent Living, LLC d/b/a Cottages at Cherry Ridge, Cherry Ridge Apartments, LLC d/b/a Apartments at Cherry Ridge, and The Glen at Cherry Ridge, LLC d/b/a Ranier Grove at Cherry Ridge, which is the assisted living and common area component of the Project. Cherry Ridge is the sole member of the LLCs and holds title to the Project.
- St. Ann's Foundation, Inc. (the "Foundation") is a nonprofit corporation that solicits, receives, and maintains funds for the benefit of SAGRI and SAGRI's controlled entities. The Foundation also provides and promotes programs related to the field of geriatrics.

St. Ann's Affordable Housing for Seniors, LLC ("Affordable Housing") is a disregarded entity, solely owned by SAGRI. Affordable Housing was established in 2017 as part of a co-development project with the intent to occupy a community space located in a low-income senior living housing complex.

The Boards of Directors for the above controlled entities are approved by SAGRI.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Consolidation**

The consolidated financial statements include the accounts of SAGRI and its controlled entities (collectively, the "Corporation"). All significant intercompany balances and transactions have been eliminated in consolidation.

### **Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. The Corporation's changes in net assets includes all unrestricted revenues and expenses. Resource transfers to and from related parties including interest, gains and losses from derivatives and investments, contributions of and for long-lived assets, non-operating expenses, other income, net assets released from restrictions, Foundation operating support, restriction reclasses, and pension liability adjustments are reported below operating results. The Corporation uses the following classifications of net assets:

- **Unrestricted Net Assets**

Unrestricted net assets represent resources that are generally available for the support of the Corporation's activities. Unrestricted net assets include resources that the Board of Directors may choose to use for designated purposes, and resources whose use is limited by agreements between the Corporation and outside parties other than a donor or grantor.

- **Temporarily Restricted Net Assets**

Comprised primarily of net assets whose use has been limited by donors.

- **Permanently Restricted Net Assets**

Permanently restricted net assets include contributions to the Corporation's endowment which are restricted by the donor. The original gift must be permanently maintained by the Corporation and be invested to be a permanent source of income.

### **Estimates**

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include time deposits, certificates of deposit, and highly liquid debt instruments with original maturities of three months or less. The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Resident Accounts Receivable and Allowance for Doubtful Accounts**

Resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of resident accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay residents (which includes both residents with insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a provision for bad debts when it appears that residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts decreased 59% from the prior year. Total write offs (recoveries) for the Corporation in 2017 were \$(653,511) compared to \$733,252 in 2016. The Corporation's allowance for doubtful accounts was \$375,000 and \$925,000 at December 31, 2017 and 2016, respectively.

### **Pledges Receivable**

Pledges receivable represent amounts due under the terms of unconditional donor promises to give and are recorded as receivables in the year the pledge commitment is made. Pledges receivable are stated at the amount expected to be collected. Pledges receivable are valued based on the original pledge amount, adjusted by an allowance for doubtful accounts and adjusted by a discount rate that a market participant would demand. Discounts range from 1.89% - 1.98% for pledges receivable in future periods. It is the Corporation's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected. The Corporation estimates its allowance for doubtful accounts and bad debts based upon management's assessment of the collectability of receivables and prior experience.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost if purchased, fair value if donated, less accumulated depreciation computed using the straight-line method over estimated useful lives as follows:

|                                     |              |
|-------------------------------------|--------------|
| Land improvements                   | 3 - 35 Years |
| Buildings and building improvements | 3 - 40 Years |
| Fixed equipment                     | 3 - 22 Years |
| Moveable equipment                  | 3 - 25 Years |

Depreciation expense was \$8,395,067 in 2017 and \$8,227,962 in 2016.

The Corporation's policy is to capitalize fixed asset purchases greater than \$100 with an estimated useful life greater than three years.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Property and Equipment (Continued)**

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Long-Lived Assets**

The Corporation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable by comparing the expected undiscounted future cash flows of the assets with the respective carrying amounts as of the date of assessment. Should aggregate expected future cash flows be less than the carrying value, an impairment would be recognized, measured as the difference between the carrying value and the fair value of the asset. During 2017 and 2016, the Corporation did not record any impairment charges.

### **Investments and Investment Risk**

Investments include assets set aside by the Board of Directors for the general use and purposes of the Corporation and assets to be held by the Corporation in perpetuity.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in other income unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

### **Cost of Acquiring Initial Continuing Care Contracts**

The Corporation capitalized certain marketing and advertising costs incurred in connection with acquiring initial continuing-care contracts for its independent living units. These costs were capitalized through the date of substantial occupancy and are amortized using the straight-line method over the average expected remaining lives of the residents under the contracts. In 2016, the continuing-care contracts were fully amortized. Amortization expense was \$104,121 in 2016.

### **Debt Issuance Costs**

Debt issuance costs, which represent the cost of obtaining certain financing, are being amortized on the straight-line method over the term of the debt which approximates the effective interest method. Debt issuance costs are shown netted with long term debt on the consolidated statements of financial position. Amortization totaled \$142,437 and \$140,321 for the years ended December 31, 2017 and 2016, respectively, and is included as a component of interest expense on the consolidated statements of activities.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Beneficial Interest in Remainder Trusts**

The Corporation is the beneficiary of several charitable remainder trusts administered by third parties. Under the charitable remainder trust arrangements, the donors established and funded the trusts and specified distributions to be made to designated beneficiaries over the terms of the trusts. Upon death of the beneficiaries, the Corporation will receive a fixed percentage of the assets remaining in the trust funds, as outlined in the trust agreements. The contributions received by the Corporation are the unconditional rights to receive the remainder interest of the trust funds and are equal to the difference between the cash or investments held in the trust funds and the present value of the estimated future payments to be distributed to the designated beneficiaries. These contributions have been recorded as temporarily restricted, in accordance with donor restrictions. Subsequent changes in fair value are recorded as a change in value of beneficial interest remainder trusts in the temporarily restricted net asset class.

### **Beneficial Interest in Perpetual Trusts**

The Corporation is the beneficiary of two perpetual trusts administered by third parties. Under the terms of the perpetual trust agreements the Corporation has recorded an asset and recognized a permanently restricted contribution at the fair value of the Corporation's beneficial interest in the perpetual trust assets. Income earned on the trust assets and distributed to the Corporation is recorded as investment income in the accompanying consolidated statements of activities because it has not been otherwise restricted by the donor. Subsequent changes in fair value are recorded as change in value of beneficial interest in perpetual trusts in permanently restricted net assets.

### **Entrance Fees**

Under entrance fee plans for independent living cottage units, residents have two entrance plan options, a "refundable" option and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 90% of the entrance fee paid, with the balance refundable on a decreasing basis for ten months. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months.

All refunds to residents are paid at the time of resale of the independent living cottage unit, but not later than six months after termination of the resident agreement. At December 31, 2017 and 2016, the gross amount of contractual refund obligations under existing resident agreements approximated \$3,800,000 and \$3,600,000, respectively.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable fees and deposits in the consolidated statements of financial position. This is comprised of cash and cash equivalents and is used by management to refund deposits as necessary. The balance of entrance fees received is amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from entrance fees in the consolidated statements of financial position.

The majority of services provided independent living cottage residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

### **Charitable Gift Annuities**

The Corporation received charitable gift annuities as contributions. Under the charitable gift annuity arrangements, the Corporation serves as trustee and has recorded the assets at fair value and the liabilities to the donors or their beneficiaries at the present value of the estimated future payments to be distributed by the Corporation to the individuals. The amount of contributions is the difference between the assets and the liabilities that were recorded as unrestricted contribution revenue.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derivative Financial Instruments

The Corporation entered into interest rate swap agreements, which are considered derivative financial instruments, to manage the variable rate interest payments due on its long-term debt. The interest rate swap agreements are reported at fair value in the consolidated statements of financial position and related changes in fair value are reported in the consolidated statements of activities.

### Deferred Revenue

The Home receives grants to assist in carrying out its programs. Grants revenue is recognized as eligible expenses are incurred and the related services are provided. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of related costs being incurred and the related services provided are recorded as deferred revenue in the accompanying statement of financial position.

### Resident Service Revenue Recognition

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered and includes retroactive revenue adjustments due to changes in case mix indexes and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. It is not possible to determine the extent of liability (or receivable) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

Resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from payor sources, is as follows:

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| Private   | \$ 16,961,868        | \$ 19,496,571        |
| Private - pharmacy  | 2,277,209            | 1,531,947            |
| Medicaid  | 24,833,051           | 27,635,951           |
| Medicaid managed care   | 9,161,402            | 3,112,418            |
| Medicare  | 5,535,122            | 5,848,564            |
| Medicare - hospice  | 769,361              | 922,378              |
| Medicare - physician  | 1,087,908            | 1,116,967            |
| Plus Choice and Blues   | 3,412,291            | 2,965,015            |
| MVP   | 2,378,991            | 4,050,448            |
| Other   | <u>850,221</u>       | <u>438,813</u>       |
| Sub-total   | 67,267,424           | 67,119,072           |
| Prior year revenue  | <u>553,448</u>       | <u>1,106,896</u>     |
| Total resident service revenues from skilled nursing facilities | 67,820,872           | 68,225,968           |
| Independent living private revenues                             | <u>13,104,169</u>    | <u>13,092,601</u>    |
| Total resident service revenues                                 | <u>\$ 80,925,041</u> | <u>\$ 81,318,569</u> |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Resident Service Revenue Recognition (Continued)

New York State (the "State") and Residential Health Care Facilities statewide have entered into a settlement agreement ("Universal Settlement") to resolve outstanding appeals and pending litigation for rate years prior to January 1, 2012 (the "Rate Period"). Significant terms of the settlement include:

- Facilities forfeit their right to appeal or litigate any rate matters during the Rate Period, except those that were specifically excluded;
- The Office of the Medicaid Inspector General has agreed to waive the right to audit the rates for the Rate Period.

As part of the Universal Settlement, the State established a pool of funds to be awarded to the facilities. The amount is expected to be paid in five installments and is subject to legislative approval on an annual basis. The Corporation was awarded \$2,754,127. The Corporation recognized revenue of \$553,448 and \$1,106,896 for the years ended December 31, 2017 and 2016, respectively, related to this arrangement. The recognized amounts represent three years of authorized Universal Settlement payments by the State. Additional revenue related to Universal Settlement is expected to be recognized on the cash basis as received.

Independent living revenues are derived from the rental of cottages, apartments, and private rooms to residents, charges for personal care services and local transportation fees. Room rentals are in accordance with month to month resident agreements. The basic services, which include personal care services, room rental, housekeeping, meals and snacks and the use of common areas and activities, are established by a published fee schedule. On-site assisted living and memory support is available to the residents should they need it. Amounts paid in advance are recorded as deferred revenue.

### New York State Cash Receipt Assessment

In April 2002, the State of New York approved a 6% assessment on nursing facilities' cash receipts, with the exception of Medicare cash receipts, to provide funding for workforce recruitment and retention awards authorized pursuant to Chapter 1 and subsequently amended by Chapter 82 of the Laws of 2002. Effective April 2011, April 2012, and November 2012, the State of New York implemented changes on assessment for nursing facilities' cash receipts to 7.2%, 7.0%, and 6.8%, respectively.

A significant portion of this assessment is reimbursed to the Home, at varying rates depending on payor, and is included in net resident service revenue. Total assessment expense for the years ended December 31, 2017 and 2016 was \$3,556,903 and \$3,584,766, respectively, and is included in operating expenses in the accompanying statements of activities and change in net assets.

### Donor Restricted Gifts

The Corporation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of activities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income Taxes

SAGRI and its controlled entities are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. However, income from certain activities not directly related to the entities tax-exempt purposes may be subject to taxation as unrelated business income. St. Ann's Affordable Housing for Seniors, LLC is solely owned by SAGRI and considered to be a disregarded entity for income tax purposes and, as such, the results of its change in net assets are reported as part of SAGRI for tax filing purposes.

### Reclassification

Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2016. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

## 3. RESIDENT ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Medicaid                               | \$ 3,838,709        | \$ 3,383,302        |
| Medicaid managed care                  | 137,444             | 464,081             |
| Medicare                               | 843,421             | 1,304,643           |
| Third party insurers                   | 1,511,085           | 1,072,992           |
| Private pay                            | 561,362             | 719,265             |
| Accounts receivable Medicare physician | 78,588              | 257,840             |
| Accounts receivable pharmacy           | 211,512             | 132,558             |
| Accounts receivable VNS loss sharing   | (58,294)            | (144,175)           |
| Accounts receivable Home Connection    | 282,087             | 357,856             |
| Other accounts receivable              | 29,089              | 1,277               |
| Due from medical practice              | 797,023             | 310,985             |
| Less: Reserve for medical practice     | (310,985)           | (310,985)           |
| Less: Allowance for doubtful accounts  | <u>(375,000)</u>    | <u>(925,000)</u>    |
| Resident accounts receivable - net     | <u>\$ 7,546,041</u> | <u>\$ 6,624,639</u> |

## 4. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

|   | <u>2017</u>      | <u>2016</u>       |
|---|------------------|-------------------|
| Pledges receivable - current portion                | \$ 41,000        | 128,467           |
| Amounts due in one to five years                    | 20,000           | 28,500            |
| Less: Allowance for doubtful accounts - pledges     | (14,145)         | (14,145)          |
| Less: Discount for present value of future payments | <u>(643)</u>     | <u>(873)</u>      |
| Pledges receivable - net                            | <u>\$ 46,212</u> | <u>\$ 141,949</u> |

## 5. FAIR VALUE MEASUREMENT

The Corporation measures its investments, beneficial interest in trusts, and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

- Cash and cash equivalents, money market, common stock, mutual funds and U.S. government obligations: Valued at the closing price reported on the active market on which the individual securities are traded (level 1).
- Beneficial interest in perpetual trusts: Based on the Corporation's interest in the fair values of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trusts (level 2).
- Beneficial interest in remainder trusts: Based on the Corporation's interest in the fair values of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trusts (level 3).
- Derivative financial instruments: Valued based on proprietary models of an independent third-party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and was estimated using the zero-coupon discounting method. This method calculates the future payments required by the derivative financial instruments, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the derivative financial instruments. The value represents the estimated exit price the Corporation would pay to terminate the agreement (level 2).

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

## 5. FAIR VALUE MEASUREMENT (Continued)

Assets and liabilities measured at fair value are summarized below as of December 31:

|  | 2017                 |                     |                     |                      |
|--|----------------------|---------------------|---------------------|----------------------|
|  | Level 1              | Level 2             | Level 3             | Total                |
| Assets - recurring fair value measurements:      |                      |                     |                     |                      |
| Cash and cash equivalents                        | \$ 1,226,072         | \$ -                | \$ -                | \$ 1,226,072         |
| Money market                                     | 243,400              | -                   | -                   | 243,400              |
| Common stock                                     | 43,439               | -                   | -                   | 43,439               |
| Mutual funds:                                    |                      |                     |                     |                      |
| Equity   |                      |                     |                     |                      |
| Large blend                                      | 73,828               | -                   | -                   | 73,828               |
| Large cap  | 21,476,082           | -                   | -                   | 21,476,082           |
| Large growth                                     | 56,260               | -                   | -                   | 56,260               |
| Large value                                      | 2,702,919            | -                   | -                   | 2,702,919            |
| Mid cap  | 6,757,568            | -                   | -                   | 6,757,568            |
| Small cap  | 1,570,222            | -                   | -                   | 1,570,222            |
| Small blend                                      | 4,112,257            | -                   | -                   | 4,112,257            |
| International                                    | 15,856,782           | -                   | -                   | 15,856,782           |
| Fixed income                                     | 30,560,099           | -                   | -                   | 30,560,099           |
| Real estate                                      | 1,527,462            | -                   | -                   | 1,527,462            |
| Commodities                                      | 2,466,509            | -                   | -                   | 2,466,509            |
| U.S. government obligations                      | 23,265               | -                   | -                   | 23,265               |
|  | 88,696,164           | -                   | -                   | 88,696,164           |
| Beneficial interest in remainder trusts          | -                    | -                   | 1,120,389           | 1,120,389            |
| Beneficial interest in perpetual trusts          | -                    | 2,711,819           | -                   | 2,711,819            |
| Total assets at fair value                       | <u>\$ 88,696,164</u> | <u>\$ 2,711,819</u> | <u>\$ 1,120,389</u> | <u>\$ 92,528,372</u> |
| Liabilities - recurring fair value measurements: |                      |                     |                     |                      |
| Derivative financial instruments                 | <u>\$ -</u>          | <u>\$ 1,236,714</u> | <u>\$ -</u>         | <u>\$ 1,236,714</u>  |
| 2016   |                      |                     |                     |                      |
|  | Level 1              | Level 2             | Level 3             | Total                |
| Assets - recurring fair value measurements:      |                      |                     |                     |                      |
| Cash and cash equivalents                        | \$ 1,079,845         | \$ -                | \$ -                | \$ 1,079,845         |
| Money market                                     | 165,853              | -                   | -                   | 165,853              |
| Common stock                                     | 29,729               | -                   | -                   | 29,729               |
| Mutual funds:                                    |                      |                     |                     |                      |
| Equity   |                      |                     |                     |                      |
| Large cap  | 19,040,394           | -                   | -                   | 19,040,394           |
| Large value                                      | 2,362,894            | -                   | -                   | 2,362,894            |
| Mid cap  | 5,945,965            | -                   | -                   | 5,945,965            |
| Small cap  | 1,495,447            | -                   | -                   | 1,495,447            |
| Small blend                                      | 3,702,775            | -                   | -                   | 3,702,775            |
| International                                    | 13,596,051           | -                   | -                   | 13,596,051           |
| Fixed income                                     | 18,168,811           | -                   | -                   | 18,168,811           |
| Real estate                                      | 1,373,285            | -                   | -                   | 1,373,285            |
| Commodities                                      | 2,171,074            | -                   | -                   | 2,171,074            |
| U.S. government obligations                      | 1,001,938            | -                   | -                   | 1,001,938            |
|  | 70,134,061           | -                   | -                   | 70,134,061           |
| Beneficial interest in remainder trusts          | -                    | -                   | 1,592,406           | 1,592,406            |
| Beneficial interest in perpetual trusts          | -                    | 2,471,573           | -                   | 2,471,573            |
| Total assets at fair value                       | <u>\$ 70,134,061</u> | <u>\$ 2,471,573</u> | <u>\$ 1,592,406</u> | <u>\$ 74,198,040</u> |
| Liabilities - recurring fair value measurements: |                      |                     |                     |                      |
| Derivative financial instruments                 | <u>\$ -</u>          | <u>\$ 1,771,656</u> | <u>\$ -</u>         | <u>\$ 1,771,656</u>  |

## 5. FAIR VALUE MEASUREMENT (Continued)

### Remainder Trusts

The valuation technique used to measure the fair value of the remainder trusts, the significant unobservable inputs, and the ranges of those inputs follows.

| <u>Date</u>       | <u>Fair Value</u> | <u>Principle Valuation Technique</u> | <u>Unobservable Inputs</u>       | <u>Range of Significant Input Values</u> |
|-------------------|-------------------|--------------------------------------|----------------------------------|--|
| December 31, 2017 | \$ 1,120,389      | Discounted cash flow                 | Discount rate<br>Life expectancy | 2.33% and 2.58%<br>7, 11 and 33 years    |

| <u>Date</u>       | <u>Fair Value</u> | <u>Principle Valuation Technique</u> | <u>Unobservable Inputs</u>       | <u>Range of Significant Input Values</u> |
|-------------------|-------------------|--------------------------------------|----------------------------------|--|
| December 31, 2016 | \$ 1,592,406      | Discounted cash flow                 | Discount rate<br>Life expectancy | 2.02% and 2.45%<br>8, 12 and 34 years    |

The Corporation assesses the fair value measurements used for investments, including those for Level 3 investments. Annually, the Corporation determines if the current valuation techniques used in the fair value measurements are still appropriate.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Corporation's beneficial interest in remainder trusts:

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| Beginning balance, January 1            | \$ 1,592,406        | \$ 1,535,197        |
| Valuation gain (loss)                   | <u>(472,017)</u>    | <u>57,209</u>       |
| Beneficial interest in perpetual trusts | <u>\$ 1,120,389</u> | <u>\$ 1,592,406</u> |

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Corporation's beneficial interest in perpetual trusts:

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| Beginning balance, January 1            | \$ 2,471,573        | \$ 2,515,014        |
| Valuation gain (loss)                   | <u>240,246</u>      | <u>(43,441)</u>     |
| Beneficial interest in perpetual trusts | <u>\$ 2,711,819</u> | <u>\$ 2,471,573</u> |

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

|                                     | <u>2017</u>          | <u>2016</u>          |
|-------------------------------------|----------------------|----------------------|
| Land                                | \$ 5,837,188         | \$ 5,837,188         |
| Land improvements                   | 4,643,237            | 4,420,809            |
| Buildings and building improvements | 103,008,668          | 102,640,158          |
| Fixed equipment                     | 20,496,091           | 19,180,198           |
| Moveable equipment                  | 18,151,802           | 19,257,032           |
| Construction in progress            | <u>208,354</u>       | <u>548,532</u>       |
| Total                               | 152,345,340          | 151,883,917          |
| Less: Accumulated depreciation      | <u>(58,039,688)</u>  | <u>(54,952,219)</u>  |
| Property and equipment - net        | <u>\$ 94,305,652</u> | <u>\$ 96,931,698</u> |

## 7. INVESTMENTS - EQUITY METHOD

The Home holds a 6.57% membership interest in Seagate Alliance, LLC; a group purchasing service for healthcare organizations in New York State. Subsequent to year-end, Seagate Alliance, LLC changed its name to Pandion Sourcing National. The Home accounts for the investment using the equity method. Under this method, the carrying value of the investment is adjusted for the Home's share of earnings and dividends of the affiliate resulting in an investment balance which approximates the Home's underlying equity in the affiliate. The Home's earnings on the investment which represent both the change in value as well as distributions are included in investment income on the statements of activities and totaled \$525,238 and \$320,171 for the years ended December 31, 2017 and 2016, respectively.

The Corporation is a 20% investor in the Alliance for Senior Care Communities, LLC and Alliance for Senior Care Communities, LLC, IPA for the purpose of facilitating the expansion of services to older adults in Monroe County. The amounts invested was as follows for the years ended December 31:

|  | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|
| Alliance for Senior Care Communities, LLC      | \$ 20,000   | \$ 25,000   |
| Alliance for Senior Care Communities, LLC, IPA | \$ 30,000   | \$ -        |

The Corporation accounts for the investment using the equity method. The Corporation records a charge against the investment to reflect its pro-rata share of the net equity of the affiliate which is included in investment income on the statements of activities. Investment loss using the equity method was as follows for the years ended December 31:

|  | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|
| Alliance for Senior Care Communities, LLC      | \$ 21,318   | \$ 17,980   |
| Alliance for Senior Care Communities, LLC, IPA | \$ 8,641    | \$ -        |



## 8. ACCRUED EXPENSES

|                               | <u>2017</u>         | <u>2016</u>         |
|-------------------------------|---------------------|---------------------|
| Accrued incentive             | \$ 752,432          | \$ 878,966          |
| Accrued payroll               | 1,016,338           | 1,273,596           |
| Accrued vacation              | 1,264,155           | 1,272,296           |
| Accrued 403b contribution     | 1,038,189           | 1,305,037           |
| Accrued workers' compensation | 1,610,000           | 2,120,000           |
| NYS Assessment payable        | 260,711             | 302,981             |
| Accrued interest              | 214,250             | 211,866             |
| Accrued other                 | <u>140,159</u>      | <u>210,884</u>      |
| Total accrued expenses        | <u>\$ 6,296,234</u> | <u>\$ 7,575,626</u> |

## 9. LONG-TERM DEBT

Long-term debt is as follows as of December 31:

|  | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|
| Obligated Group mortgages payable - due December 2040, payable in varying monthly principal installments plus variable interest ranging between 2.25% plus one-month LIBOR yield, and 67% of the sum of 2.25% and one-month LIBOR yield. | \$ 67,930,214        | \$ 69,877,296        |
| Chapel Oaks mortgage payable - due January 2027, payable in varying monthly principal installments plus fixed interest rate of 3.09%. This rate is fixed for a 13 year term via an interest rate swap.                                   | <u>6,706,409</u>     | <u>7,336,009</u>     |
| Total debt   | 74,636,623           | 77,213,305           |
| Less: Unamortized debt issuance costs  | <u>(1,054,504)</u>   | <u>(1,196,941)</u>   |
| Debt, net of unamortized debt issuance costs   | 73,582,119           | 76,016,364           |
| Less: Debt - current portion   | <u>(2,663,100)</u>   | <u>(2,576,682)</u>   |
| Debt - net   | <u>\$ 70,919,019</u> | <u>\$ 73,439,682</u> |

Scheduled principal repayments are as follows:

|                                 |                      |
|---------------------------------|----------------------|
| Years ending after December 31: |                      |
| 2018                            | \$ 2,663,100         |
| 2019                            | 2,752,176            |
| 2020                            | 2,838,031            |
| 2021                            | 2,939,423            |
| 2022                            | 3,038,090            |
| Thereafter                      | <u>60,405,803</u>    |
| Total                           | <u>\$ 74,636,623</u> |

## 9. LONG-TERM DEBT (Continued)

### **Security for Obligated Group Mortgages Payable**

The Home, the Care Center, and Cherry Ridge (collectively, the “Obligated Group”) are jointly and severally obligated to pay the Obligated Group mortgages payable, totaling \$67,930,214 and \$69,877,296 at December 31, 2017 and 2016, respectively. The Obligated Group mortgages payable are secured by a first security interest in the Obligated Groups’ revenues and gross receipts, as defined, and a first mortgage lien on, and security interest in, the Obligated Groups’ property and equipment.

### **Security for Chapel Oaks Mortgage Payable (Continued)**

Financing for the mortgage was obtained through the Village of East Rochester Housing Authority (“the Authority”). At the date of the mortgage issuance, Chapel Oaks entered into a lease agreement with the Authority. Pursuant to the lease agreement, the Authority took title to substantially all of Chapel Oaks’ property and equipment and simultaneously leased back the same property and equipment to Chapel Oaks. Chapel Oaks is obligated to make lease rental payments to the bond trustee assigned by the Authority in amounts which correspond to the principal and interest payments on the mortgage payable. The lease agreement will expire upon full repayment and maturity of the mortgage in January 2027.

### **Debt Covenants**

At December 31, 2017 and 2016, the Corporation was in compliance with all applicable debt covenants.

### **Interest Rate Swap Agreements (Obligated Group)**

The Corporation entered into an interest rate swap agreement (the “2014 agreement”). The 2014 agreement requires the Corporation to make monthly payments, in addition to the principal and interest payments due on the mortgages, to the counterparty of the Agreement. The monthly payments are calculated by multiplying the notional amount (\$46,606,896 and \$47,922,840 at December 31, 2017 and 2016, respectively), by the difference between a fixed rate of 1.82% and a variable rate of 67% of the one month LIBOR Index. These payments are classified as interest and fees expense in the accompanying statements of activities.

During 2017, the Corporation entered into an additional interest rate swap agreement (the “2017 agreement”, collectively the “agreements”). The 2017 agreement requires the Corporation to make monthly payments, in addition to the principal and interest payments due on the mortgages, to the counterparty of the 2017 agreement. The monthly payments are calculated by multiplying the notional amount (\$19,236,036 at December 31, 2017), by the difference between a fixed rate of 1.51% and a variable rate of 67% of the one month LIBOR Index. These payments are classified as interest and fees expense in the accompanying statements of activities.

When, during the term of the agreements, the floating rate exceeds the fixed rate, the counterparty to the agreements makes monthly payments to the Corporation for the differential in the two rates. The payments received are classified as a reduction of interest and fees expense in the accompanying consolidated statements of activities.

## 9. LONG-TERM DEBT (Continued)

### Interest Rate Swap Agreements (Obligated Group) (Continued)

The fair value of the Corporation's derivative instruments at December 31, 2017 and 2016 is as follows:

|                   | <u>Derivatives designated as hedging instruments</u> | <u>Statement of Financial Position location</u> | <u>Fair Value</u> |
|-------------------|--|---|-------------------|
| December 31, 2017 | Interest rate swap agreements                        | Fair value of derivative financial instrument   | \$1,074,075       |
| December 31, 2016 | Interest rate swap agreements                        | Fair value of derivative financial instrument   | \$1,516,546       |

The effect of derivative instruments on the statement of activities for the year ended December 31, 2017 and 2016 is as follows:

|                   | <u>Derivatives designated as hedging instruments</u> | <u>Statement of Activities location</u>                 | <u>Fair Value</u> |
|-------------------|--|---|-------------------|
| December 31, 2017 | Interest rate swap agreements                        | Change in fair value of derivative financial instrument | \$442,471         |
| December 31, 2016 | Interest rate swap agreements                        | Change in fair value of derivative financial instrument | \$609,214         |

The fair value of the agreements is estimated to be the amount the Obligated Group would pay to terminate the agreements and is based on information supplied by the independent third party valuation specialist. Changes in the fair value of the interest rate swap agreements are included in total other income since the interest rate swap agreements are designated as effective hedging instruments.

### Interest Rate Swap Agreement (Chapel Oaks)

Chapel Oaks entered into an interest rate swap agreement (the "agreement"). The agreement requires Chapel Oaks to make monthly payments, in addition to the principal and interest payments due on the mortgage, to the counterparty of the agreement. The monthly payments are calculated by multiplying the notional amount (\$6,706,409 and \$7,336,009 at December 31, 2017 and 2016, respectively), by the difference between a fixed rate of 1.92% and a variable rate of 65% of the one month LIBOR Index. These payments are classified as interest and fees expense in the accompanying consolidated statements of activities.

When, during the term of the agreement, the floating rate exceeds the fixed rate, the counterparty to the agreement makes monthly payments to Chapel Oaks for the differential in the two rates. The payments received are classified as a reduction of interest and fees expense in the accompanying consolidated statements of activities.

## 9. LONG-TERM DEBT (Continued)

### Interest Rate Swap Agreement (Chapel Oaks) (Continued)

The fair value of Chapel Oaks' derivative instruments at December 31, 2017 and 2016 is as follows:

|                   | <u>Derivatives designated as hedging instruments</u> | <u>Statement of Financial Position location</u> | <u>Fair Value</u> |
|-------------------|--|---|-------------------|
| December 31, 2017 | Interest rate swap agreement                         | Fair value of derivative financial instrument   | \$162,639         |
| December 31, 2016 | Interest rate swap agreement                         | Fair value of derivative financial instrument   | \$255,110         |

The effect of derivative instruments on the statement of activities for the year ended December 31, 2017 and 2016 is as follows:

|                   | <u>Derivatives designated as hedging instruments</u> | <u>Statement of Activities location</u>                 | <u>Fair Value</u> |
|-------------------|--|---|-------------------|
| December 31, 2017 | Interest rate swap agreements                        | Change in fair value of derivative financial instrument | \$92,471          |
| December 31, 2016 | Interest rate swap agreements                        | Change in fair value of derivative financial instrument | \$102,453         |

The fair value of the agreement is estimated to be the amount Chapel Oaks would pay to terminate the agreement at December 31, 2017 and 2016, and is based on information supplied by the independent third party valuation specialist. Changes in the fair value of the agreement are included in total other income since the agreement is designated as an effective hedging instrument.

## 10. PENSION AND RETIREMENT PLANS

The Home sponsors a defined benefit pension plan (the "Plan") for its employees and the employees of the Home's related parties employed as of December 31, 2012. Benefits under the Plan are generally based on years of service and compensation. The Home's funding policy is to contribute annually at least the minimum amounts required under the Employee Retirement Income Security Act of 1974. Effective December 31, 2012, the Home froze the Plan by ceasing benefit accruals and new eligibility.

SAGRI also maintains a defined contribution plan covering substantially all employees of the Home and its related parties. The Home and its related parties' contributions to the defined contribution plan totaled \$1,902,651 and \$1,583,597 in 2017 and 2016, respectively.

## 10. PENSION AND RETIREMENT PLANS (Continued)

The following is a reconciliation of the beginning and ending balances of the projected benefit obligation and fair value of plan assets and the accumulated benefit obligation at December 31:

|  | <u>2017</u>            | <u>2016</u>            |
|--|------------------------|------------------------|
| Change in benefit obligation:                  |                        |                        |
| Benefit obligation - beginning                 | \$ 74,559,862          | \$ 74,356,781          |
| Interest cost                                  | 3,002,832              | 3,160,102              |
| Benefits paid                                  | (3,468,487)            | (4,526,276)            |
| Actuarial loss (gain)                          | 1,006,019              | (17,838)               |
| Changes in discount rate assumptions           | 5,835,631              | 2,270,362              |
| Changes in other assumptions                   | <u>2,420,406</u>       | <u>(683,269)</u>       |
| Benefit obligation - ending                    | <u>83,356,263</u>      | <u>74,559,862</u>      |
| Change in plan assets:                         |                        |                        |
| Fair value of plan assets - beginning          | 52,689,601             | 51,139,725             |
| Actual return on plan assets (net of expenses) | 7,266,706              | 4,934,325              |
| Employer contributions                         | 1,907,060              | 1,141,827              |
| Benefits paid                                  | <u>(3,468,487)</u>     | <u>(4,526,276)</u>     |
| Fair value of plan assets - ending             | <u>58,394,880</u>      | <u>52,689,601</u>      |
| Funded Status - accrued pension cost           | <u>\$ (24,961,383)</u> | <u>\$ (21,870,261)</u> |

Net periodic pension cost is comprised of the following:

|                                | <u>2017</u>         | <u>2016</u>         |
|--------------------------------|---------------------|---------------------|
| Service cost                   | \$ 777,000          | \$ 633,000          |
| Interest cost                  | 3,002,832           | 3,160,101           |
| Expected return on plan assets | (3,582,793)         | (3,463,776)         |
| Recognized actuarial losses    | <u>1,583,918</u>    | <u>1,953,237</u>    |
| Net periodic pension cost      | <u>\$ 1,780,957</u> | <u>\$ 2,282,562</u> |

A net loss of \$20,225,913 and \$17,038,687 represents the unrecognized component of net periodic pension cost included in unrestricted net assets at December 31, 2017 and 2016, respectively.

Amortization for 2018 related to unrecognized net losses is anticipated to equal \$1,944,582.

The weighted-average assumptions used to determine benefit obligations are as follows:

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| Discount rate - net periodic benefit cost | 4.12%       | 4.34%       |
| Discount rate - benefit obligations       | 3.59%       | 4.12%       |
| Expected return on plan assets            | 7.00%       | 7.00%       |
| Rate of compensation increase             | N/A         | N/A         |

## 10. PENSION AND RETIREMENT PLANS (Continued)

The fair value hierarchy, as described in Note 5, has three levels of classifications used to categorize investments. All investments in the plan are level one investments.

The Plan's assets at fair value are as follows as of December 31:

|                               | <u>2017</u>          | <u>2016</u>          |
|-------------------------------|----------------------|----------------------|
| Cash and cash equivalents     | \$ <u>1,297,924</u>  | \$ <u>1,450,317</u>  |
| Equity securities             |                      |                      |
| Mutual funds - equity         |                      |                      |
| Large blend                   | 1,685,111            | 1,360,847            |
| International                 | 5,581,186            | 5,198,713            |
| Mid cap                       | 5,795,298            | 4,437,718            |
| Small cap                     | 1,575,726            | 1,102,790            |
| Small blend                   | 3,033,995            | 2,791,656            |
| Real estate                   | -                    | 1,021,466            |
| Large cap                     | 22,028,887           | 19,654,632           |
| Other                         | <u>293,253</u>       | <u>254,682</u>       |
| Total equity securities       | <u>39,993,456</u>    | <u>35,822,504</u>    |
| Fixed income securities       |                      |                      |
| Investment grade bond funds   | 12,763,005           | 13,326,937           |
| Other fixed income            | <u>4,340,495</u>     | <u>2,089,843</u>     |
| Total fixed income securities | <u>17,103,500</u>    | <u>15,416,780</u>    |
| Total plan assets             | <u>\$ 58,394,880</u> | <u>\$ 52,689,601</u> |

The Plan's overall portfolio mix of equity securities and fixed income (debt) securities is based on asset allocation modeling taking into consideration historical return patterns and risk factors. Equity securities are diversified among large and small-cap value and growth securities. Fixed income securities are invested in investment grade bonds and similar instruments. The Corporation's overall investment strategy is to achieve a mix of investments with approximately 70% in equities for long-term growth and 30% in fixed income vehicles for near-term benefit payments with a wide diversification in asset types, fund strategies and fund managers. The Corporation's actual allocations were 68% equity and 32% fixed income as of December 31, 2017 and 2016.

To develop the expected long-term rate of return on plan assets assumption, management considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return on plan assets assumption.

The Corporation expects to contribute approximately \$2,791,000 to the Plan during 2018.

## 10. PENSION AND RETIREMENT PLANS (Continued)

Estimated aggregate future benefit payments expected to be made by the Plan are as follows:

|             |               |
|-------------|---------------|
| 2018        | \$ 3,489,000  |
| 2019        | \$ 3,661,000  |
| 2020        | \$ 3,874,000  |
| 2021        | \$ 3,970,000  |
| 2022        | \$ 4,022,000  |
| 2023 - 2027 | \$ 21,395,000 |

## 11. DEFERRED COMPENSATION PLAN

The Home maintains a Section 457(b) deferred compensation plan covering certain key employees. Contributions to the plan are in accordance with specific terms of employment agreements. Until paid or made available to the participant or beneficiary, all deferred amounts and investment earnings related to these amounts are solely the property and rights of the Home. Employer contributions during 2017 and 2016 totaled \$99,440 and \$41,206, respectively. As of December 31, 2017 and 2016, the 457(b) plan assets totaled \$671,769 and \$573,902, respectively, and are in other investments and deferred compensation in the accompanying consolidated statements of financial position.

## 12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are related to, or restricted for, the following:

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| Estate funded endowment                 | \$ 16,523,652        | \$ 13,840,335        |
| Pastoral care                           | 152,154              | 112,740              |
| Nursing/employee scholarships           | <u>116,576</u>       | <u>59,318</u>        |
| Temporarily restricted for endowment    | 16,792,382           | 14,012,393           |
| Nursing/employee scholarships           | 9,750                | 3,516                |
| Capital campaign                        | 12,500               | 12,500               |
| Paul Hogan Trust – Home                 | 561,784              | -                    |
| Anna Hogan Trust – Home                 | 31,676               | -                    |
| Anna Hogan Trust – Care Center          | 31,676               | -                    |
| Resident support                        | 143,436              | 90,134               |
| Resident support – skilled nursing      | 276,608              | 223,349              |
| Annual giving                           | 15,000               | 22,500               |
| Daisy Marquis Jones                     | -                    | 30,000               |
| Other specific purposes                 | 59,244               | 10,904               |
| Less: discount and allowance            | (14,788)             | (15,018)             |
| Beneficial interest in remainder trust  | <u>1,120,389</u>     | <u>1,592,406</u>     |
| Total temporarily restricted net assets | <u>\$ 19,039,657</u> | <u>\$ 15,982,684</u> |

Net assets were released from restriction for program expenditures.

## 12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Assets in the remainder trusts, when received, are generally available for nursing services and programs.

Permanently restricted net assets are related to the following:

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| Investments to be held in perpetuity    | \$ 3,854,614        | \$ 3,783,843        |
| Beneficial interest in perpetual trusts | <u>2,711,819</u>    | <u>2,471,573</u>    |
| Permanently restricted net assets       | <u>\$ 6,566,433</u> | <u>\$ 6,255,416</u> |

The income from assets held in perpetuity is generally available for nursing services and programs.

## 13. INVESTMENT INCOME

Unrestricted investment income is comprised of the following as of December 31:

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Interest and dividends                     | \$ 1,715,367        | \$ 1,196,576        |
| Net realized gain on sales of investments  | 254,312             | 652,386             |
| Net unrealized gain on investments         | 6,126,954           | 3,643,335           |
| Change in investments - equity method      | 495,279             | 295,171             |
| Investment advisory fees                   | <u>(137,304)</u>    | <u>(132,011)</u>    |
| Total unrestricted investment income - net | <u>\$ 8,454,608</u> | <u>\$ 5,655,457</u> |

Temporarily restricted investment income is comprised of the following as of December 31:

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Interest and dividends                               | \$ 562,397          | \$ 407,500          |
| Net realized gain on sales of investments            | 90,782              | 220,867             |
| Net unrealized gain on investments                   | 2,186,145           | 1,249,310           |
| Investment advisory fees                             | <u>(21,982)</u>     | <u>(23,788)</u>     |
| Total temporarily restricted investment income - net | <u>\$ 2,817,342</u> | <u>\$ 1,853,889</u> |

Permanently restricted investment income is comprised of the following as of December 31:

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
| Interest and dividends                               | \$ 10,050        | \$ 7,028         |
| Net realized gain on sales of investments            | 1,543            | 3,766            |
| Net unrealized gain on investments                   | 37,141           | 21,280           |
| Investment advisory fees                             | <u>(373)</u>     | <u>(405)</u>     |
| Total permanently restricted investment income - net | <u>\$ 48,361</u> | <u>\$ 31,669</u> |



## 14. ENDOWMENT FUNDS

### **Interpretation of Relevant Law**

The Board of SAGRI has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent explicit donor stipulations to the contrary, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation, (7) the Corporation's investment policies, and (8) alternatives to expenditure of the endowment fund.

### **Investment Return Objectives, Risk Parameters and Strategies**

The Corporation has adopted investment and spending policies, approved by the Board of Directors, for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund the annual operating and capital expenditures in accordance with the donor restrictions. To achieve this overall goal, the primary objective of the investment policy is the long-term growth of capital. A real rate of return over capital is required to preserve the purchasing power of the endowment funds. The secondary objective of the investment policy is the preservation of capital, including the protection of capital in declining markets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and Barclays Capital Intermediate Government/Credit Index (formerly known as the Lehmans Government Index) by 1%; however, actual returns in any given year may vary from these amounts.

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

#### 14. ENDOWMENT FUNDS (Continued)

##### Spending Policy

Spendable income is that portion of current total return, as well as portions of unspent total return of prior years, as allocated by the Board for spending in any fiscal year. The target annual distribution rate shall be 5% of the average market value of the endowment for the preceding 20 quarters. It is the responsibility of the Board and the investment advisor to oversee management of the endowment in ways commensurate with this spending policy. Distribution of spending income will be reviewed annually and made according to the following:

- Provisions must be made with the investment advisor for timely and regular distributions as needed.
- Total return results that exceed actual distribution of allocated spendable income normally shall be reinvested and considered principle for all future computations and distributions.
- When total return is less than allocated spendable income, distributions will be made from assets that are unencumbered for such purposes, such as unspent total return of prior years.

The Board has not allocated any spending of the accumulated earnings on the original endowment funds to date, however there are specific endowment funds for which the spending of the accumulated earnings are allowed by the donor. These amounts have been accumulated and reported as temporarily restricted.

Endowment composition by type for the year ended December 31, 2017, follows:

|                                 | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted endowment fund | \$ -                | \$ 16,792,382                     | \$ 3,854,614                      | \$ 20,646,996        |
| Board-designated endowment fund | <u>211,660</u>      | <u>-</u>                          | <u>-</u>                          | <u>211,660</u>       |
| Total endowment net assets      | <u>\$ 211,660</u>   | <u>\$ 16,792,382</u>              | <u>\$ 3,854,614</u>               | <u>\$ 20,858,656</u> |

Endowment composition by type for the year ended December 31, 2016, follows:

|                                 | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted endowment fund | \$ -                | \$ 14,012,393                     | \$ 3,783,843                      | \$ 17,796,236        |
| Board-designated endowment fund | <u>183,435</u>      | <u>-</u>                          | <u>-</u>                          | <u>183,435</u>       |
| Total endowment net assets      | <u>\$ 183,435</u>   | <u>\$ 14,012,393</u>              | <u>\$ 3,783,843</u>               | <u>\$ 17,979,671</u> |

#### 14. ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets - beginning | \$ 183,435          | \$ 14,012,393                     | \$ 3,783,843                      | \$ 17,979,671        |
| Contributions                    | -                   | -                                 | 22,410                            | 22,410               |
| Investment gain- net             | 28,225              | 2,817,342                         | 48,361                            | 2,893,928            |
| Released from restriction        | -                   | (20,853)                          | -                                 | (20,853)             |
| Restriction reclass              | -                   | (16,500)                          | -                                 | (16,500)             |
|                                  | <u>          </u>   | <u>          </u>                 | <u>          </u>                 | <u>          </u>    |
| Endowment net assets - ending    | <u>\$ 211,660</u>   | <u>\$ 16,792,382</u>              | <u>\$ 3,854,614</u>               | <u>\$ 20,858,656</u> |

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets - beginning | \$ 143,862          | \$ 12,099,286                     | \$ 3,696,531                      | \$ 15,939,679        |
| Contributions                    | -                   | 72,218                            | 52,028                            | 124,246              |
| Investment gain- net             | 39,573              | 1,853,889                         | 31,669                            | 1,925,131            |
| Released from restriction        | -                   | (13,000)                          | -                                 | (13,000)             |
| Allocated for spending           | -                   | -                                 | 3,615                             | 3,615                |
|                                  | <u>          </u>   | <u>          </u>                 | <u>          </u>                 | <u>          </u>    |
| Endowment net assets - ending    | <u>\$ 183,435</u>   | <u>\$ 14,012,393</u>              | <u>\$ 3,783,843</u>               | <u>\$ 17,979,671</u> |

#### 15. SELF INSURANCE PROGRAM

The Corporation maintains workers' compensation insurance under a large deductible program (the "Program") supplemented with commercial insurance coverage. Under the Program, the Corporation covers claims up to \$350,000 per individual and has a maximum liability of \$1,783,000 annually. The commercial insurance covers all claims in excess of \$1,783,000.

At December 31, 2017 and 2016, the Corporation recorded a liability of \$1,610,000 and \$2,120,000, respectively, related to the estimated liabilities incurred under the Program. These amounts are included in accrued expenses in the consolidated statements of financial position. The Corporation recognized expense of approximately \$611,000 in 2017 and \$1,000,000 in 2016 related to the Program. These amounts are included in the various departmental expense categories in the consolidated statements of activities.

In connection with the Program, the Corporation is required to maintain an irrevocable stand-by letter of credit totaling \$2,700,000 to secure the Corporation's future obligations under the terms of the Program.

## 16. CONTINGENCIES

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverage or will have a material adverse effect on the consolidated financial statements.

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

### **St. Ann's Affordable Housing for Seniors, LLC**

In 2017, SAGRI began participation with Providence Housing Development Corporation (PHDC) and its affiliate Providence Durand Senior Apartments, LP in the construction of a low-income senior housing complex (the Project). While PHDC is the beneficiary of the completed Project, SAGRI anticipates capitalizing on healthcare services that can be offered to the residents and use of certain building space of the new construction.

In support of the Project, SAGRI has agreed to the following jointly and severally with PHDC and Durand Senior Apartments, LP:

- Guarantee the \$9,150,000 building loan agreement
- Guarantee the completion of the Project with plan specifications
- Relief or potential discharge of any hazardous substances affecting the property

SAGRI is entitled to certain co-developer payments during the term of the construction period as part of its participation in the Project. The Company received \$100,000 in co-developer payments for the year ended December 31, 2017.

SAGRI formed St. Ann's Affordable Housing for Seniors, LLC ("Affordable Housing") to lease space from PHDC and further sublease the space to St. Ann's Home for the Aged and Pillar Medical Associates in order to provide adult day care services and outpatient medical services at the Project site. SAGRI is the sole member of Affordable Housing.

**17. FUNCTIONAL EXPENSES**

The Corporation provides housing, healthcare, and other related services to residents within its geographic location. Expenses related to providing these services are as follows as of December 31:

|                            | <u>2017</u>          | <u>2016</u>          |
|----------------------------|----------------------|----------------------|
| Resident services          |                      |                      |
| Home                       | \$ 50,628,346        | \$ 52,516,024        |
| Care Center                | 8,321,166            | 8,951,313            |
| Cherry Ridge               | 6,320,892            | 6,467,012            |
| Chapel Oaks                | 2,926,511            | 2,811,818            |
| General and administrative | 12,692,343           | 13,402,267           |
| Fund development           | <u>802,120</u>       | <u>798,357</u>       |
| Total                      | <u>\$ 81,691,378</u> | <u>\$ 84,946,791</u> |

**18. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 2, 2018, which is the date the financial statements were available to be issued.

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

|  | Obligated Group |               |               | Eliminating<br>Entries | Obligated      | SAGRI        | Chapel Oaks   | Foundation    | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------|---------------|---------------|------------------------|----------------|--------------|---------------|---------------|------------------------|-----------------------|
|  | Cherry Ridge    | Home          | Care Center   |                        | Group<br>Total |              |               |               |                        |                       |
| <b>ASSETS</b>  |                 |               |               |                        |                |              |               |               |                        |                       |
| <b>CURRENT ASSETS:</b>                                 |                 |               |               |                        |                |              |               |               |                        |                       |
| Cash and cash equivalents                              | \$ 1,355,051    | \$ 6,132,708  | \$ 2,040,777  | \$ -                   | \$ 9,528,536   | \$ -         | \$ 767,198    | \$ 2,275,715  | \$ -                   | \$ 12,571,449         |
| Resident accounts receivable - net                     | 40,110          | 6,724,900     | 777,919       | -                      | 7,542,929      | -            | 3,112         | -             | -                      | 7,546,041             |
| Pledges receivable - current portion                   | -               | -             | -             | -                      | -              | -            | -             | 41,000        | -                      | 41,000                |
| Other accounts receivable                              | -               | 115,963       | -             | -                      | 115,963        | -            | -             | 29,939        | -                      | 145,902               |
| Due from third party payors - current portion          | -               | 504,049       | 112,985       | -                      | 617,034        | -            | -             | -             | -                      | 617,034               |
| Related party loan receivable - current portion        | -               | 217,161       | 109,986       | (327,147)              | -              | -            | -             | 122,207       | (122,207)              | -                     |
| Due from related parties                               | -               | 2,340,322     | 533,732       | (844,041)              | 2,030,013      | -            | -             | -             | (2,030,013)            | -                     |
| Prepaid expenses and other current assets              | 76,749          | 2,644,608     | 28,461        | -                      | 2,749,818      | 61,340       | 26,537        | 8,182         | -                      | 2,845,877             |
| Total current assets                                   | 1,471,910       | 18,679,711    | 3,603,860     | (1,171,188)            | 22,584,293     | 61,340       | 796,847       | 2,477,043     | (2,152,220)            | 23,767,303            |
| PROPERTY AND EQUIPMENT, net                            | 26,299,412      | 41,220,717    | 13,833,167    | -                      | 81,353,296     | -            | 12,949,648    | 2,708         | -                      | 94,305,652            |
| <b>OTHER ASSETS:</b>                                   |                 |               |               |                        |                |              |               |               |                        |                       |
| Entrance fee and security deposits                     | 4,820,430       | -             | -             | -                      | 4,820,430      | -            | 330,452       | -             | -                      | 5,150,882             |
| Investments  | 1,008,950       | 20,174,246    | 16,402,766    | -                      | 37,585,962     | 4,573,975    | 2,371,018     | 43,493,440    | -                      | 88,024,395            |
| Other investments                                      | -               | 671,769       | -             | -                      | 671,769        | -            | -             | -             | -                      | 671,769               |
| Pledges receivable - net of current portion            | -               | -             | -             | -                      | -              | -            | -             | 5,212         | -                      | 5,212                 |
| Due from third-party payors - net of current portion   | -               | 208,445       | 30,015        | -                      | 238,460        | -            | -             | -             | -                      | 238,460               |
| Related party loan receivable - net of current portion | -               | 2,894,324     | 1,465,893     | (4,360,217)            | -              | -            | -             | 1,628,770     | (1,628,770)            | -                     |
| Due from related parties - pension contributions       | -               | 759,068       | -             | (607,166)              | 151,902        | -            | -             | -             | (151,902)              | -                     |
| Beneficial interest in remainder trusts                | -               | 875,042       | 206,801       | -                      | 1,081,843      | -            | -             | 38,546        | -                      | 1,120,389             |
| Beneficial interest in perpetual trusts                | -               | 417,963       | -             | -                      | 417,963        | -            | -             | 2,293,856     | -                      | 2,711,819             |
| Interest in net assets of Foundation                   | -               | 631,962       | 31,676        | -                      | 663,638        | -            | -             | -             | (663,638)              | -                     |
| Investments - equity method                            | -               | 1,403,574     | -             | -                      | 1,403,574      | 33,406       | -             | -             | -                      | 1,436,980             |
| Total other assets                                     | 5,829,380       | 28,036,393    | 18,137,151    | (4,967,383)            | 47,035,541     | 4,607,381    | 2,701,470     | 47,459,824    | (2,444,310)            | 99,359,906            |
| Total assets   | \$ 33,600,702   | \$ 87,936,821 | \$ 35,574,178 | \$ (6,138,571)         | \$ 150,973,130 | \$ 4,668,721 | \$ 16,447,965 | \$ 49,939,575 | \$ (4,596,530)         | \$ 217,432,861        |

(Continued)

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

|   | Obligated Group      |                      |                      | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI               | Chapel Oaks          | Foundation           | Eliminating<br>Entries | Consolidated<br>Total |
|---|----------------------|----------------------|----------------------|------------------------|-----------------------------|---------------------|----------------------|----------------------|------------------------|-----------------------|
|   | Cherry Ridge         | Home                 | Care Center          |                        |                             |                     |                      |                      |                        |                       |
| <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| <b>CURRENT LIABILITIES:</b>                               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Accounts payable  | \$ 284,643           | \$ 1,929,162         | \$ 173,248           | \$ -                   | \$ 2,387,053                | 4,000               | \$ 100,174           | \$ 3,781             | \$ -                   | \$ 2,495,008          |
| Accrued expenses  | 493,979              | 5,078,855            | 498,391              | -                      | 6,071,225                   | -                   | 157,188              | 67,821               | -                      | 6,296,234             |
| Debt - current portion                                    | 754,599              | 806,287              | 452,749              | -                      | 2,013,635                   | -                   | 649,465              | -                    | -                      | 2,663,100             |
| Loans payable to related parties - current portion        | 449,354              | -                    | -                    | (327,147)              | 122,207                     | -                   | -                    | -                    | (122,207)              | -                     |
| Due to third-party payors - current portion               | -                    | -                    | -                    | -                      | -                           | -                   | -                    | -                    | -                      | -                     |
| Due to related parties                                    | 1,225,497            | -                    | -                    | (844,041)              | 381,456                     | 676,713             | 510,984              | 460,860              | (2,030,013)            | -                     |
| Deferred revenue  | -                    | 372,438              | -                    | -                      | 372,438                     | -                   | 55,231               | -                    | -                      | 427,669               |
| <b>Total current liabilities</b>                          | <b>3,208,072</b>     | <b>8,186,742</b>     | <b>1,124,388</b>     | <b>(1,171,188)</b>     | <b>11,348,014</b>           | <b>680,713</b>      | <b>1,473,042</b>     | <b>532,462</b>       | <b>(2,152,220)</b>     | <b>11,882,011</b>     |
| <b>LONG-TERM LIABILITIES:</b>                             |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Debt - net  | 24,425,670           | 26,057,421           | 14,635,273           | -                      | 65,118,364                  | -                   | 5,800,655            | -                    | -                      | 70,919,019            |
| Charitable gift annuity obligations                       | -                    | -                    | -                    | -                      | -                           | -                   | -                    | 52,570               | -                      | 52,570                |
| Loans payable to related parties - net of current portion | 5,988,987            | -                    | -                    | (4,360,217)            | 1,628,770                   | -                   | -                    | -                    | (1,628,770)            | -                     |
| Accrued pension cost                                      | 277,102              | 24,961,383           | 330,064              | (607,166)              | 24,961,383                  | -                   | 113,237              | 38,665               | (151,902)              | 24,961,383            |
| Due to third-party payors - net of current portion        | -                    | 9,094                | 12,258               | -                      | 21,352                      | -                   | -                    | -                    | -                      | 21,352                |
| Refundable fees and deposits                              | 3,796,590            | -                    | -                    | -                      | 3,796,590                   | -                   | -                    | -                    | -                      | 3,796,590             |
| Deferred revenues from entrance fees                      | 663,517              | -                    | -                    | -                      | 663,517                     | -                   | -                    | -                    | -                      | 663,517               |
| Deferred revenue  | 50,505               | -                    | -                    | -                      | 50,505                      | -                   | -                    | -                    | -                      | 50,505                |
| Security deposits   | 626,313              | -                    | -                    | -                      | 626,313                     | -                   | 330,684              | -                    | -                      | 956,997               |
| Fair value of derivative financial instruments            | 403,879              | 428,911              | 241,285              | -                      | 1,074,075                   | -                   | 162,639              | -                    | -                      | 1,236,714             |
| Deferred compensation                                     | -                    | 671,769              | -                    | -                      | 671,769                     | -                   | -                    | -                    | -                      | 671,769               |
| Other accrued liabilities                                 | -                    | 111,492              | 12,388               | -                      | 123,880                     | -                   | -                    | -                    | -                      | 123,880               |
| <b>Total long-term liabilities</b>                        | <b>36,232,563</b>    | <b>52,240,070</b>    | <b>15,231,268</b>    | <b>(4,967,383)</b>     | <b>98,736,518</b>           | <b>-</b>            | <b>6,407,215</b>     | <b>91,235</b>        | <b>(1,780,672)</b>     | <b>103,454,296</b>    |
| <b>Total liabilities</b>                                  | <b>39,440,635</b>    | <b>60,426,812</b>    | <b>16,355,656</b>    | <b>(6,138,571)</b>     | <b>110,084,532</b>          | <b>680,713</b>      | <b>7,880,257</b>     | <b>623,697</b>       | <b>(3,932,892)</b>     | <b>115,336,307</b>    |
| <b>NET ASSETS (DEFICIT):</b>                              |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Unrestricted  | (5,839,933)          | 17,927,864           | 18,980,045           | -                      | 31,067,976                  | 3,988,008           | 8,567,708            | 32,866,772           | -                      | 76,490,464            |
| Temporarily restricted                                    | -                    | 8,546,115            | 238,477              | -                      | 8,784,592                   | -                   | -                    | 10,918,703           | (663,638)              | 19,039,657            |
| Permanently restricted                                    | -                    | 1,036,030            | -                    | -                      | 1,036,030                   | -                   | -                    | 5,530,403            | -                      | 6,566,433             |
| <b>Total net assets (deficit)</b>                         | <b>(5,839,933)</b>   | <b>27,510,009</b>    | <b>19,218,522</b>    | <b>-</b>               | <b>40,888,598</b>           | <b>3,988,008</b>    | <b>8,567,708</b>     | <b>49,315,878</b>    | <b>(663,638)</b>       | <b>102,096,554</b>    |
| <b>Total liabilities and net assets (deficit)</b>         | <b>\$ 33,600,702</b> | <b>\$ 87,936,821</b> | <b>\$ 35,574,178</b> | <b>\$ (6,138,571)</b>  | <b>\$ 150,973,130</b>       | <b>\$ 4,668,721</b> | <b>\$ 16,447,965</b> | <b>\$ 49,939,575</b> | <b>\$ (4,596,530)</b>  | <b>\$ 217,432,861</b> |

The accompanying notes are an integral part of these schedules.

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|                                    | Obligated Group |               |               | Eliminating<br>Entries | Obligated      | SAGRI     | Chapel Oaks  | Foundation | Eliminating<br>Entries | Consolidated<br>Total |
|------------------------------------|-----------------|---------------|---------------|------------------------|----------------|-----------|--------------|------------|------------------------|-----------------------|
|                                    | Cherry Ridge    | Home          | Care Center   |                        | Group<br>Total |           |              |            |                        |                       |
| REVENUE AND OTHER SUPPORT:         |                 |               |               |                        |                |           |              |            |                        |                       |
| Net resident service revenue       | \$ 8,894,193    | \$ 56,672,588 | \$ 10,594,836 | \$ -                   | \$ 76,161,617  | \$ -      | \$ 4,209,976 | \$ -       | \$ -                   | \$ 80,371,593         |
| Prior year revenue                 | -               | 505,016       | 48,432        | -                      | 553,448        | -         | -            | -          | -                      | 553,448               |
| Total net resident service revenue | 8,894,193       | 57,177,604    | 10,643,268    | -                      | 76,715,065     | -         | 4,209,976    | -          | -                      | 80,925,041            |
| Contributions                      | -               | -             | -             | -                      | -              | -         | -            | 848,302    | -                      | 848,302               |
| Foundation operating support       | -               | -             | -             | -                      | -              | -         | -            | 704,996    | -                      | 704,996               |
| Other operating revenue            | 349,983         | 1,482,407     | 35,595        | -                      | 1,867,985      | -         | 4,332        | -          | -                      | 1,872,317             |
| Total revenue and other support    | 9,244,176       | 58,660,011    | 10,678,863    | -                      | 78,583,050     | -         | 4,214,308    | 1,553,298  | -                      | 84,350,656            |
| OPERATING EXPENSES:                |                 |               |               |                        |                |           |              |            |                        |                       |
| Nursing                            | -               | 21,405,488    | 3,590,308     | -                      | 24,995,796     | -         | -            | -          | -                      | 24,995,796            |
| Assisted living                    | 1,340,425       | -             | -             | -                      | 1,340,425      | -         | -            | -          | -                      | 1,340,425             |
| Rehabilitation                     | -               | 3,259,300     | 157,586       | -                      | 3,416,886      | -         | -            | -          | -                      | 3,416,886             |
| Other professional services        | -               | 5,099,152     | 436,045       | -                      | 5,535,197      | -         | -            | -          | -                      | 5,535,197             |
| Adult day services                 | -               | 1,025,972     | -             | -                      | 1,025,972      | -         | -            | -          | -                      | 1,025,972             |
| Dietary                            | 1,200,867       | 5,225,111     | 552,543       | -                      | 6,978,521      | -         | 702,928      | -          | -                      | 7,681,449             |
| Housekeeping and laundry           | 305,422         | 1,902,229     | 337,347       | -                      | 2,544,998      | -         | 172,697      | -          | -                      | 2,717,695             |
| Social services and activities     | 345,128         | 1,810,183     | 279,976       | -                      | 2,435,287      | -         | 53,227       | -          | -                      | 2,488,514             |
| Plant operations                   | 905,702         | 3,380,899     | 528,874       | -                      | 4,815,475      | -         | 557,555      | -          | -                      | 5,373,030             |
| General and administrative         | 1,706,592       | 7,890,503     | 1,478,087     | -                      | 11,075,182     | 784,743   | 1,097,924    | 801,598    | -                      | 13,759,447            |
| New York State assessment expense  | -               | 2,885,734     | 671,169       | -                      | 3,556,903      | -         | -            | -          | -                      | 3,556,903             |
| Bad debt expense (recovery)        | -               | (1,126,034)   | (77,477)      | -                      | (1,203,511)    | -         | 18,451       | -          | -                      | (1,185,060)           |
| Depreciation and amortization      | 1,104,519       | 4,854,484     | 1,335,507     | -                      | 7,294,510      | -         | 1,100,035    | 522        | -                      | 8,395,067             |
| Interest                           | 1,118,829       | 905,828       | 509,288       | (193,299)              | 2,340,646      | -         | 321,618      | -          | (72,207)               | 2,590,057             |
| Total operating expenses           | 8,027,484       | 58,518,849    | 9,799,253     | (193,299)              | 76,152,287     | 784,743   | 4,024,435    | 802,120    | (72,207)               | 81,691,378            |
| INCOME (LOSS) FROM OPERATIONS      | 1,216,692       | 141,162       | 879,610       | 193,299                | 2,430,763      | (784,743) | 189,873      | 751,178    | 72,207                 | 2,659,278             |

(Continued)



## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|  | Obligated Group       |                      |                      | Eliminating<br>Entries | Obligated            | SAGRI               | Chapel Oaks         | Foundation           | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------------|----------------------|----------------------|------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|-----------------------|
|  | Cherry Ridge          | Home                 | Care Center          |                        | Group<br>Total       |                     |                     |                      |                        |                       |
| INCOME (LOSS) FROM OPERATIONS                              | <u>1,216,692</u>      | <u>141,162</u>       | <u>879,610</u>       | <u>193,299</u>         | <u>2,430,763</u>     | <u>(784,743)</u>    | <u>189,873</u>      | <u>751,178</u>       | <u>72,207</u>          | <u>2,659,278</u>      |
| OTHER INCOME (EXPENSE):                                    |                       |                      |                      |                        |                      |                     |                     |                      |                        |                       |
| Contributions from related party - direct support          | 41,854                | 408,250              | -                    | -                      | 450,104              | 578,365             | -                   | -                    | (1,028,469)            | -                     |
| Contributions from related party - on behalf of donors     | -                     | 105,756              | 8,635                | -                      | 114,391              | -                   | 1,450               | -                    | (115,841)              | -                     |
| Contributions to related party - direct support            | -                     | (63,528)             | (94,836)             | -                      | (158,364)            | -                   | -                   | -                    | 158,364                | -                     |
| Gifts to related parties - direct support                  | -                     | -                    | -                    | -                      | -                    | -                   | -                   | (449,880)            | 449,880                | -                     |
| Gifts to related parties - on behalf of donors             | -                     | -                    | -                    | -                      | -                    | -                   | -                   | (536,066)            | 536,066                | -                     |
| Investment income - net                                    | 8,951                 | 1,971,157            | 1,735,592            | -                      | 3,715,700            | 671,274             | 21,018              | 4,046,616            | -                      | 8,454,608             |
| Interest income - related party                            | -                     | 128,312              | 64,987               | (193,299)              | -                    | -                   | -                   | 72,207               | (72,207)               | -                     |
| Non-operating expenses                                     | -                     | (30,000)             | -                    | -                      | (30,000)             | -                   | -                   | -                    | -                      | (30,000)              |
| Other income   | -                     | -                    | -                    | -                      | -                    | 100,000             | -                   | -                    | -                      | 100,000               |
| Change in fair value of derivative financial instruments   | 166,265               | 176,784              | 99,422               | -                      | 442,471              | -                   | 92,471              | -                    | -                      | 534,942               |
| Net assets released from restrictions                      | -                     | -                    | -                    | -                      | -                    | -                   | -                   | 250,606              | -                      | 250,606               |
| Foundation operating support                               | -                     | -                    | -                    | -                      | -                    | -                   | -                   | (704,996)            | -                      | (704,996)             |
| Restriction reclass  | -                     | -                    | -                    | -                      | -                    | -                   | -                   | 16,500               | -                      | 16,500                |
| Pension liability adjustment                               | -                     | (3,217,226)          | -                    | -                      | (3,217,226)          | -                   | -                   | -                    | -                      | (3,217,226)           |
| Total other income (expense) - net                         | <u>217,070</u>        | <u>(520,495)</u>     | <u>1,813,800</u>     | <u>(193,299)</u>       | <u>1,317,076</u>     | <u>1,349,639</u>    | <u>114,939</u>      | <u>2,694,987</u>     | <u>(72,207)</u>        | <u>5,404,434</u>      |
| CHANGE IN UNRESTRICTED NET ASSETS                          | <u>1,433,762</u>      | <u>(379,333)</u>     | <u>2,693,410</u>     | <u>-</u>               | <u>3,747,839</u>     | <u>564,896</u>      | <u>304,812</u>      | <u>3,446,165</u>     | <u>-</u>               | <u>8,063,712</u>      |
| TEMPORARILY RESTRICTED NET ASSETS:                         |                       |                      |                      |                        |                      |                     |                     |                      |                        |                       |
| Contributions  | -                     | -                    | -                    | -                      | -                    | -                   | -                   | 978,754              | -                      | 978,754               |
| Investment income - net                                    | -                     | 1,032,576            | -                    | -                      | 1,032,576            | -                   | -                   | 1,784,766            | -                      | 2,817,342             |
| Change in value of beneficial interest in remainder trusts | -                     | (495,139)            | 19,803               | -                      | (475,336)            | -                   | -                   | 3,319                | -                      | (472,017)             |
| Change in interest in net assets of Foundation             | -                     | 598,563              | 31,676               | -                      | 630,239              | -                   | -                   | -                    | (630,239)              | -                     |
| Net assets released from restrictions                      | -                     | -                    | -                    | -                      | -                    | -                   | -                   | (250,606)            | -                      | (250,606)             |
| Restriction reclass  | -                     | -                    | -                    | -                      | -                    | -                   | -                   | (16,500)             | -                      | (16,500)              |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS                | <u>-</u>              | <u>1,136,000</u>     | <u>51,479</u>        | <u>-</u>               | <u>1,187,479</u>     | <u>-</u>            | <u>-</u>            | <u>2,499,733</u>     | <u>(630,239)</u>       | <u>3,056,973</u>      |
| PERMANENTLY RESTRICTED NET ASSETS:                         |                       |                      |                      |                        |                      |                     |                     |                      |                        |                       |
| Contributions  | -                     | -                    | -                    | -                      | -                    | -                   | -                   | 22,410               | -                      | 22,410                |
| Investment income - net                                    | -                     | 48,361               | -                    | -                      | 48,361               | -                   | -                   | -                    | -                      | 48,361                |
| Change in value of beneficial interest in perpetual trusts | -                     | 35,850               | -                    | -                      | 35,850               | -                   | -                   | 204,396              | -                      | 240,246               |
| CHANGE IN PERMANENTLY RESTRICTED NET ASSETS                | <u>-</u>              | <u>84,211</u>        | <u>-</u>             | <u>-</u>               | <u>84,211</u>        | <u>-</u>            | <u>-</u>            | <u>226,806</u>       | <u>-</u>               | <u>311,017</u>        |
| CHANGE IN NET ASSETS                                       | <u>1,433,762</u>      | <u>840,878</u>       | <u>2,744,889</u>     | <u>-</u>               | <u>5,019,529</u>     | <u>564,896</u>      | <u>304,812</u>      | <u>6,172,704</u>     | <u>(630,239)</u>       | <u>11,431,702</u>     |
| NET ASSETS (DEFICIT) - beginning of year                   | <u>(7,273,695)</u>    | <u>26,669,131</u>    | <u>16,473,633</u>    | <u>-</u>               | <u>35,869,069</u>    | <u>3,423,112</u>    | <u>8,262,896</u>    | <u>43,143,174</u>    | <u>(33,399)</u>        | <u>90,664,852</u>     |
| NET ASSETS (DEFICIT) - end of year                         | <u>\$ (5,839,933)</u> | <u>\$ 27,510,009</u> | <u>\$ 19,218,522</u> | <u>\$ -</u>            | <u>\$ 40,888,598</u> | <u>\$ 3,988,008</u> | <u>\$ 8,567,708</u> | <u>\$ 49,315,878</u> | <u>\$ (663,638)</u>    | <u>\$ 102,096,554</u> |

The accompanying notes are an integral part of these schedules.

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

|  | Obligated Group |               |               | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI        | Chapel Oaks   | Foundation    | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------|---------------|---------------|------------------------|-----------------------------|--------------|---------------|---------------|------------------------|-----------------------|
|  | Cherry Ridge    | Home          | Care Center   |                        |                             |              |               |               |                        |                       |
| <b>ASSETS</b>  |                 |               |               |                        |                             |              |               |               |                        |                       |
| <b>CURRENT ASSETS:</b>                                 |                 |               |               |                        |                             |              |               |               |                        |                       |
| Cash and cash equivalents                              | \$ 2,229,132    | \$ 7,582,578  | \$ 5,652,662  | \$ -                   | \$ 15,464,372               | \$ -         | \$ 3,483,984  | \$ 1,234,259  | \$ -                   | \$ 20,182,615         |
| Resident accounts receivable - net                     | 113,776         | 5,779,378     | 726,962       | -                      | 6,620,116                   | -            | 4,523         | -             | -                      | 6,624,639             |
| Pledges receivable - current portion                   | -               | -             | -             | -                      | -                           | -            | -             | 128,467       | -                      | 128,467               |
| Other accounts receivable                              | -               | 172,710       | -             | -                      | 172,710                     | -            | -             | 23,582        | -                      | 196,292               |
| Due from third party payors - current portion          | -               | 469,301       | 234,562       | -                      | 703,863                     | -            | -             | -             | -                      | 703,863               |
| Related party loan receivable - current portion        | -               | 208,660       | 105,680       | (314,340)              | -                           | -            | -             | 117,423       | (117,423)              | -                     |
| Due from related parties                               | -               | 3,709,968     | -             | (1,921,950)            | 1,788,018                   | -            | -             | -             | (1,788,018)            | -                     |
| Prepaid expenses and other current assets              | 90,200          | 1,137,277     | 15,694        | -                      | 1,243,171                   | 71,280       | 32,383        | -             | -                      | 1,346,834             |
| Total current assets                                   | 2,433,108       | 19,059,872    | 6,735,560     | (2,236,290)            | 25,992,250                  | 71,280       | 3,520,890     | 1,503,731     | (1,905,441)            | 29,182,710            |
| PROPERTY AND EQUIPMENT, net                            | 25,816,381      | 43,332,390    | 14,834,615    | -                      | 83,983,386                  | -            | 12,947,830    | 482           | -                      | 96,931,698            |
| <b>OTHER ASSETS:</b>                                   |                 |               |               |                        |                             |              |               |               |                        |                       |
| Entrance fee and security deposits                     | 4,277,117       | -             | -             | -                      | 4,277,117                   | -            | 358,448       | -             | -                      | 4,635,565             |
| Investments  | -               | 15,673,804    | 11,090,490    | -                      | 26,764,294                  | 3,872,741    | -             | 38,923,124    | -                      | 69,560,159            |
| Other investments                                      | -               | 573,902       | -             | -                      | 573,902                     | -            | -             | -             | -                      | 573,902               |
| Pledges receivable - net of current portion            | -               | -             | -             | -                      | -                           | -            | -             | 13,482        | -                      | 13,482                |
| Due from third-party payors - net of current portion   | -               | 208,445       | 30,015        | -                      | 238,460                     | -            | -             | -             | -                      | 238,460               |
| Related party loan receivable - net of current portion | -               | 3,111,618     | 1,575,953     | (4,687,571)            | -                           | -            | -             | 1,751,056     | (1,751,056)            | -                     |
| Due from related parties - pension contributions       | -               | 816,410       | -             | (657,062)              | 159,348                     | -            | -             | -             | (159,348)              | -                     |
| Beneficial interest in remainder trusts                | -               | 1,370,181     | 186,998       | -                      | 1,557,179                   | -            | -             | 35,227        | -                      | 1,592,406             |
| Beneficial interest in perpetual trusts                | -               | 382,113       | -             | -                      | 382,113                     | -            | -             | 2,089,460     | -                      | 2,471,573             |
| Interest in net assets of Foundation                   | -               | 33,399        | -             | -                      | 33,399                      | -            | -             | -             | (33,399)               | -                     |
| Investments - equity method                            | -               | 1,117,158     | -             | -                      | 1,117,158                   | 11,149       | -             | -             | -                      | 1,128,307             |
| Total other assets                                     | 4,277,117       | 23,287,030    | 12,883,456    | (5,344,633)            | 35,102,970                  | 3,883,890    | 358,448       | 42,812,349    | (1,943,803)            | 80,213,854            |
| Total assets   | \$ 32,526,606   | \$ 85,679,292 | \$ 34,453,631 | \$ (7,580,923)         | \$ 145,078,606              | \$ 3,955,170 | \$ 16,827,168 | \$ 44,316,562 | \$ (3,849,244)         | \$ 206,328,262        |

(Continued)

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

|   | Obligated Group      |                      |                      | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI               | Chapel Oaks          | Foundation           | Eliminating<br>Entries | Consolidated<br>Total |
|---|----------------------|----------------------|----------------------|------------------------|-----------------------------|---------------------|----------------------|----------------------|------------------------|-----------------------|
|   | Cherry Ridge         | Home                 | Care Center          |                        |                             |                     |                      |                      |                        |                       |
| <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| <b>CURRENT LIABILITIES:</b>                               |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Accounts payable  | \$ 158,853           | \$ 1,516,273         | \$ 102,902           | \$ -                   | \$ 1,778,028                | \$ -                | \$ 84,947            | \$ 4,054             | \$ -                   | \$ 1,867,029          |
| Accrued expenses  | 562,989              | 6,106,314            | 623,978              | -                      | 7,293,281                   | -                   | 200,338              | 82,007               | -                      | 7,575,626             |
| Debt - current portion                                    | 729,683              | 779,546              | 437,853              | -                      | 1,947,082                   | -                   | 629,600              | -                    | -                      | 2,576,682             |
| Loans payable to related parties - current portion        | 431,763              | -                    | -                    | (314,340)              | 117,423                     | -                   | -                    | -                    | (117,423)              | -                     |
| Due to third-party payors - current portion               | -                    | 608,064              | -                    | -                      | 608,064                     | -                   | -                    | -                    | -                      | 608,064               |
| Due to related parties                                    | 756,726              | -                    | 998,398              | (1,921,950)            | (166,826)                   | 532,058             | 425,283              | 997,503              | (1,788,018)            | -                     |
| Deferred revenue  | -                    | 444                  | -                    | -                      | 444                         | -                   | 67,879               | -                    | -                      | 68,323                |
| Total current liabilities                                 | <u>2,640,014</u>     | <u>9,010,641</u>     | <u>2,163,131</u>     | <u>(2,236,290)</u>     | <u>11,577,496</u>           | <u>532,058</u>      | <u>1,408,047</u>     | <u>1,083,564</u>     | <u>(1,905,441)</u>     | <u>12,695,724</u>     |
| <b>LONG-TERM LIABILITIES:</b>                             |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Debt - net  | 25,135,910           | 26,819,423           | 15,062,706           | -                      | 67,018,039                  | -                   | 6,421,643            | -                    | -                      | 73,439,682            |
| Charitable gift annuity obligations                       | -                    | -                    | -                    | -                      | -                           | -                   | -                    | 51,573               | -                      | 51,573                |
| Loans payable to related parties - net of current portion | 6,438,627            | -                    | -                    | (4,687,571)            | 1,751,056                   | -                   | -                    | -                    | (1,751,056)            | -                     |
| Accrued pension cost                                      | 269,327              | 21,870,260           | 387,735              | (657,062)              | 21,870,260                  | -                   | 121,098              | 38,251               | (159,348)              | 21,870,261            |
| Due to third-party payors - net of current portion        | -                    | 9,094                | 12,258               | -                      | 21,352                      | -                   | -                    | -                    | -                      | 21,352                |
| Refundable fees and deposits                              | 3,608,577            | -                    | -                    | -                      | 3,608,577                   | -                   | -                    | -                    | -                      | 3,608,577             |
| Deferred revenues from entrance fees                      | 448,861              | -                    | -                    | -                      | 448,861                     | -                   | -                    | -                    | -                      | 448,861               |
| Deferred revenue  | 45,102               | -                    | -                    | -                      | 45,102                      | -                   | -                    | -                    | -                      | 45,102                |
| Security deposits   | 643,739              | -                    | -                    | -                      | 643,739                     | -                   | 358,374              | -                    | -                      | 1,002,113             |
| Fair value of derivative financial instruments            | 570,144              | 605,695              | 340,707              | -                      | 1,516,546                   | -                   | 255,110              | -                    | -                      | 1,771,656             |
| Deferred compensation                                     | -                    | 573,902              | -                    | -                      | 573,902                     | -                   | -                    | -                    | -                      | 573,902               |
| Other accrued liabilities                                 | -                    | 121,146              | 13,461               | -                      | 134,607                     | -                   | -                    | -                    | -                      | 134,607               |
| Total long-term liabilities                               | <u>37,160,287</u>    | <u>49,999,520</u>    | <u>15,816,867</u>    | <u>(5,344,633)</u>     | <u>97,632,041</u>           | <u>-</u>            | <u>7,156,225</u>     | <u>89,824</u>        | <u>(1,910,404)</u>     | <u>102,967,686</u>    |
| Total liabilities   | <u>39,800,301</u>    | <u>59,010,161</u>    | <u>17,979,998</u>    | <u>(7,580,923)</u>     | <u>109,209,537</u>          | <u>532,058</u>      | <u>8,564,272</u>     | <u>1,173,388</u>     | <u>(3,815,845)</u>     | <u>115,663,410</u>    |
| <b>NET ASSETS (DEFICIT):</b>                              |                      |                      |                      |                        |                             |                     |                      |                      |                        |                       |
| Unrestricted  | (7,273,695)          | 18,307,197           | 16,286,635           | -                      | 27,320,137                  | 3,423,112           | 8,262,896            | 29,420,607           | -                      | 68,426,752            |
| Temporarily restricted                                    | -                    | 7,410,115            | 186,998              | -                      | 7,597,113                   | -                   | -                    | 8,418,970            | (33,399)               | 15,982,684            |
| Permanently restricted                                    | -                    | 951,819              | -                    | -                      | 951,819                     | -                   | -                    | 5,303,597            | -                      | 6,255,416             |
| Total net assets (deficit)                                | <u>(7,273,695)</u>   | <u>26,669,131</u>    | <u>16,473,633</u>    | <u>-</u>               | <u>35,869,069</u>           | <u>3,423,112</u>    | <u>8,262,896</u>     | <u>43,143,174</u>    | <u>(33,399)</u>        | <u>90,664,852</u>     |
| Total liabilities and net assets (deficit)                | <u>\$ 32,526,606</u> | <u>\$ 85,679,292</u> | <u>\$ 34,453,631</u> | <u>\$ (7,580,923)</u>  | <u>\$ 145,078,606</u>       | <u>\$ 3,955,170</u> | <u>\$ 16,827,168</u> | <u>\$ 44,316,562</u> | <u>\$ (3,849,244)</u>  | <u>\$ 206,328,262</u> |

The accompanying notes are an integral part of these schedules.

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

|                                    | Obligated Group |               |               | Eliminating<br>Entries | Obligated<br>Group<br>Total | SAGRI     | Chapel Oaks  | Foundation | Eliminating<br>Entries | Consolidated<br>Total |
|------------------------------------|-----------------|---------------|---------------|------------------------|-----------------------------|-----------|--------------|------------|------------------------|-----------------------|
|                                    | Cherry Ridge    | Home          | Care Center   |                        |                             |           |              |            |                        |                       |
| REVENUE AND OTHER SUPPORT:         |                 |               |               |                        |                             |           |              |            |                        |                       |
| Net resident service revenue       | \$ 8,756,627    | \$ 56,449,048 | \$ 10,670,024 | \$ -                   | \$ 75,875,699               | \$ -      | \$ 4,335,974 | \$ -       | \$ -                   | \$ 80,211,673         |
| Prior year revenue                 | -               | 1,010,032     | 96,864        | -                      | 1,106,896                   | -         | -            | -          | -                      | 1,106,896             |
| Total net resident service revenue | 8,756,627       | 57,459,080    | 10,766,888    | -                      | 76,982,595                  | -         | 4,335,974    | -          | -                      | 81,318,569            |
| Contributions                      | -               | -             | -             | -                      | -                           | -         | -            | 284,933    | -                      | 284,933               |
| Foundation operating support       | -               | -             | -             | -                      | -                           | -         | -            | 867,880    | -                      | 867,880               |
| Other operating revenue            | 227,997         | 1,072,159     | 16,909        | -                      | 1,317,065                   | -         | -            | -          | -                      | 1,317,065             |
| Total revenue and other support    | 8,984,624       | 58,531,239    | 10,783,797    | -                      | 78,299,660                  | -         | 4,335,974    | 1,152,813  | -                      | 83,788,447            |
| OPERATING EXPENSES:                |                 |               |               |                        |                             |           |              |            |                        |                       |
| Nursing                            | -               | 21,520,154    | 3,662,753     | -                      | 25,182,907                  | -         | -            | -          | -                      | 25,182,907            |
| Assisted living                    | 1,460,327       | -             | -             | -                      | 1,460,327                   | -         | -            | -          | -                      | 1,460,327             |
| Rehabilitation                     | -               | 3,393,513     | 223,629       | -                      | 3,617,142                   | -         | -            | -          | -                      | 3,617,142             |
| Other professional services        | 10,035          | 5,670,087     | 671,559       | -                      | 6,351,681                   | -         | -            | -          | -                      | 6,351,681             |
| Adult day services                 | -               | 1,040,051     | -             | -                      | 1,040,051                   | -         | -            | -          | -                      | 1,040,051             |
| Dietary                            | 1,214,350       | 5,329,106     | 540,134       | -                      | 7,083,590                   | -         | 710,224      | -          | -                      | 7,793,814             |
| Housekeeping and laundry           | 315,598         | 2,057,508     | 330,259       | -                      | 2,703,365                   | -         | 182,558      | -          | -                      | 2,885,923             |
| Social services and activities     | 336,076         | 1,836,365     | 336,594       | -                      | 2,509,035                   | -         | 59,339       | -          | -                      | 2,568,374             |
| Plant operations                   | 982,646         | 3,468,297     | 419,942       | -                      | 4,870,885                   | -         | 550,048      | -          | -                      | 5,420,933             |
| General and administrative         | 1,622,623       | 8,947,744     | 1,289,156     | -                      | 11,859,523                  | 797,659   | 1,027,840    | 797,418    | -                      | 14,482,440            |
| New York State assessment expense  | -               | 2,943,727     | 641,039       | -                      | 3,584,766                   | -         | -            | -          | -                      | 3,584,766             |
| Bad debt expense (recovery)        | -               | (270,469)     | 144,116       | -                      | (126,353)                   | -         | -            | -          | -                      | (126,353)             |
| Depreciation and amortization      | 1,037,864       | 4,654,710     | 1,492,513     | -                      | 7,185,087                   | -         | 1,041,937    | 938        | -                      | 8,227,962             |
| Interest and fees                  | 1,110,116       | 872,975       | 488,775       | (205,856)              | 2,266,010                   | -         | 267,712      | -          | (76,898)               | 2,456,824             |
| Total operating expenses           | 8,089,635       | 61,463,768    | 10,240,469    | (205,856)              | 79,588,016                  | 797,659   | 3,839,658    | 798,356    | (76,898)               | 84,946,791            |
| INCOME (LOSS) FROM OPERATIONS      | 894,989         | (2,932,529)   | 543,328       | 205,856                | (1,288,356)                 | (797,659) | 496,316      | 354,457    | 76,898                 | (1,158,344)           |

(Continued)

## ST. ANN'S OF GREATER ROCHESTER, INC. AND CONTROLLED ENTITIES

CONSOLIDATING SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

|  | Obligated Group |               |               | Eliminating<br>Entries | Obligated      | SAGRI        | Chapel Oaks  | Foundation    | Eliminating<br>Entries | Consolidated<br>Total |
|--|-----------------|---------------|---------------|------------------------|----------------|--------------|--------------|---------------|------------------------|-----------------------|
|  | Cherry Ridge    | Home          | Care Center   |                        | Group<br>Total |              |              |               |                        |                       |
| INCOME (LOSS) FROM OPERATIONS                              | 894,989         | (2,932,529)   | 543,328       | 205,856                | (1,288,356)    | (797,659)    | 496,316      | 354,457       | 76,898                 | (1,158,344)           |
| OTHER INCOME (EXPENSE):                                    |                 |               |               |                        |                |              |              |               |                        |                       |
| Contributions from related party - direct support          | 20,879          | 1,440,508     | -             | -                      | 1,461,387      | 575,517      | -            | -             | (2,036,904)            | -                     |
| Contributions from related party - on behalf of donors     | -               | 1,149,474     | 8,157         | -                      | 1,157,631      | -            | -            | -             | (1,157,631)            | -                     |
| Contributions to related party - direct support            | -               | (61,540)      | (90,278)      | -                      | (151,818)      | -            | -            | -             | 151,818                | -                     |
| Gifts to related parties - direct support                  | -               | -             | -             | -                      | -              | -            | -            | (1,460,387)   | 1,460,387              | -                     |
| Gifts to related parties - on behalf of donors             | -               | -             | -             | -                      | -              | -            | -            | (1,582,330)   | 1,582,330              | -                     |
| Investment income - net                                    | -               | 1,257,512     | 1,114,085     | -                      | 2,371,597      | 444,768      | -            | 2,839,092     | -                      | 5,655,457             |
| Interest income - related party                            | -               | 136,648       | 69,208        | (205,856)              | -              | -            | -            | 76,898        | (76,898)               | -                     |
| Non-operating expenses                                     | -               | (30,000)      | -             | -                      | (30,000)       | -            | -            | -             | -                      | (30,000)              |
| Change in fair value of derivative financial instruments   | 229,034         | 243,314       | 136,866       | -                      | 609,214        | -            | 102,453      | -             | -                      | 711,667               |
| Net assets released from restrictions                      | -               | -             | -             | -                      | -              | -            | -            | 1,347,717     | -                      | 1,347,717             |
| Foundation operating support                               | -               | -             | -             | -                      | -              | -            | -            | (867,880)     | -                      | (867,880)             |
| Restriction reclass  | -               | -             | -             | -                      | -              | -            | -            | (60,017)      | -                      | (60,017)              |
| Pension liability adjustment                               | -               | 2,487,531     | -             | -                      | 2,487,531      | -            | -            | -             | -                      | 2,487,531             |
| Total other income (expense) - net                         | 249,913         | 6,623,447     | 1,238,038     | (205,856)              | 7,905,542      | 1,020,285    | 102,453      | 293,093       | (76,898)               | 9,244,475             |
| CHANGE IN UNRESTRICTED NET ASSETS                          | 1,144,902       | 3,690,918     | 1,781,366     | -                      | 6,617,186      | 222,626      | 598,769      | 647,550       | -                      | 8,086,131             |
| TEMPORARILY RESTRICTED NET ASSETS:                         |                 |               |               |                        |                |              |              |               |                        |                       |
| Contributions  | -               | -             | -             | -                      | -              | -            | -            | 395,217       | -                      | 395,217               |
| Investment income - net                                    | -               | 681,404       | -             | -                      | 681,404        | -            | -            | 1,172,485     | -                      | 1,853,889             |
| Change in value of beneficial interest in remainder trusts | -               | 68,443        | 10,294        | -                      | 78,737         | -            | -            | (21,528)      | -                      | 57,209                |
| Change in interest in net assets of Foundation             | -               | (575,293)     | -             | -                      | (575,293)      | -            | -            | -             | 575,293                | -                     |
| Net assets released from restrictions                      | -               | -             | -             | -                      | -              | -            | -            | (1,347,717)   | -                      | (1,347,717)           |
| Restriction reclass  | -               | -             | -             | -                      | -              | -            | -            | 56,402        | -                      | 56,402                |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS                | -               | 174,554       | 10,294        | -                      | 184,848        | -            | -            | 254,859       | 575,293                | 1,015,000             |
| PERMANENTLY RESTRICTED NET ASSETS:                         |                 |               |               |                        |                |              |              |               |                        |                       |
| Contributions  | -               | -             | -             | -                      | -              | -            | -            | 52,028        | -                      | 52,028                |
| Investment income - net                                    | -               | 31,669        | -             | -                      | 31,669         | -            | -            | -             | -                      | 31,669                |
| Change in value of beneficial interest in perpetual trusts | -               | (3,526)       | -             | -                      | (3,526)        | -            | -            | (39,915)      | -                      | (43,441)              |
| Restriction reclass  | -               | -             | -             | -                      | -              | -            | -            | 3,615         | -                      | 3,615                 |
| CHANGE IN PERMANENTLY RESTRICTED NET ASSETS                | -               | 28,143        | -             | -                      | 28,143         | -            | -            | 15,728        | -                      | 43,871                |
| CHANGE IN NET ASSETS                                       | 1,144,902       | 3,893,615     | 1,791,660     | -                      | 6,830,177      | 222,626      | 598,769      | 918,137       | 575,293                | 9,145,002             |
| NET ASSETS (DEFICIT) - beginning of year                   | (8,418,597)     | 22,775,516    | 14,681,973    | -                      | 29,038,892     | 3,200,486    | 7,664,127    | 42,225,037    | (608,692)              | 81,519,850            |
| NET ASSETS (DEFICIT) - end of year                         | \$ (7,273,695)  | \$ 26,669,131 | \$ 16,473,633 | \$ -                   | \$ 35,869,069  | \$ 3,423,112 | \$ 8,262,896 | \$ 43,143,174 | \$ (33,399)            | \$ 90,664,852         |

The accompanying notes are an integral part of these schedules.

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**APPENDIX C**  
**FINANCIAL FEASIBILITY STUDY**

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**EXAMINED FINANCIAL FORECAST OF THE  
OBLIGATED GROUP CONSISTING OF:  
ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.**

**FORECASTED FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' REPORT**

**FOR THE FOUR YEARS ENDING DECEMBER 31, 2019 THROUGH DECEMBER 31, 2022**

## TABLE OF CONTENTS

|   |      |
|---|------|
| Independent Accountants' Report .....   | C-1  |
| Forecasted Combined Statements of Operations and Changes in Net Assets<br>For the Years Ending December 31, 2019 through 2022 ..... | C-3  |
| Forecasted Combined Statements of Cash Flows<br>For the Years Ending December 31, 2019 through 2022 .....                           | C-4  |
| Forecasted Combined Balance Sheets<br>At December 31, 2019 through 2022 .....   | C-5  |
| Forecasted Combined Schedule of Financial Ratios<br>For the Years Ending December 31, 2019 through 2022 .....                       | C-7  |
| Summary of Significant Forecast Assumptions and Accounting Policies:  |      |
| Background Information .....  | C-9  |
| Sources and Uses of Funds.....  | C-22 |
| Summary of Significant Accounting Policies .....  | C-25 |
| Management's Basis for Forecast of Revenue .....  | C-31 |
| Management's Basis for Forecast of Expenses .....   | C-41 |
| Management's Basis for Forecast of Other Items .....  | C-45 |
| Sensitivity Factors and Analyses .....  | C-50 |



## INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
St. Ann's Home for the Aged  
St. Ann's Nursing Home Company, Inc. d/b/a The Heritage  
St. Ann's Senior Housing, Inc. d/b/a Cherry Ridge  
Chapel Oaks, Inc.  
Rochester, New York

We have examined the accompanying forecast of the obligated group consisting of St. Ann's Home for the Aged (the "Home"), St. Ann's Nursing Home Company, Inc. d/b/a The Heritage (the "Care Center"), St. Ann's Senior Housing, Inc. d/b/a Cherry Ridge ("Cherry Ridge") and Chapel Oaks, Inc. ("Chapel Oaks") (collectively the "Obligated Group") which comprises the forecasted combined balance sheets as of December 31, 2019, 2020, 2021, and 2022 and the forecasted combined statements of operations and changes in net assets and cash flows for the years then ending based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (the "AICPA"). We have also examined the Obligated Group's forecasted combined schedules of financial ratios for the years ending December 31, 2019, 2020, 2021 and 2022. The Obligated Group's management ("Management") is responsible for preparing and presenting the financial forecast in accordance with the guidelines for the presentation of a forecast established by the AICPA. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

**Management's financial forecast has been prepared for the specific purpose of presenting the forecasted combined statements of operations and changes in net assets, combined statements of cash flows, and combined balance sheets of the Obligated Group, which are related through common ownership and management. This presentation is not intended to present the consolidated forecasted financial statements of St. Ann's of Greater Rochester, Inc. ("St. Ann's Community") and its controlled entities, since it excludes the St. Ann's Foundation and St. Ann's of Greater Rochester, Inc.**

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

Board of Directors  
St. Ann's Community

other financing assumptions are described in the section entitled "Summary of Significant Forecast Assumptions and Accounting Policies." If actual interest rates, principal payments, or funding requirements are different from those assumed, the amount of the bonds issued and associated debt service requirements would need to be adjusted, accordingly, from those indicated in the forecast. If such interest rates, principal payments, and funding requirements are lower than those assumed, such adjustments would not adversely affect the forecast.

In our opinion, the accompanying forecast is presented in all material respects, in conformity with guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and 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.

Sensitivity analyses of certain Management forecast assumptions and the potential impact on the Obligated Group's forecasted financial ratios are presented beginning on page C-49 of the Summary of Significant Forecast Assumptions and Accounting Policies. Management has conducted these sensitivity analyses on its financial forecast which are presented for purposes of additional analysis and are not a required part of the financial forecast. These sensitivity analyses have not been subjected to procedures applied in the examination of the financial forecast and, accordingly, we express no opinion or any other form of assurance on them.

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



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
November 11, 2019

ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.  
FORECASTED COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDING DECEMBER 31,  
(In \$000s)

|  | 2019               | 2020              | 2021              | 2022              |
|--|--------------------|-------------------|-------------------|-------------------|
| <b>Revenues, Gains and Other Support</b>                         |                    |                   |                   |                   |
| Net Resident Service Revenue                                     | \$ 74,551          | \$ 68,178         | \$ 72,986         | \$ 78,468         |
| Amortization of Entrance Fees                                    | 80                 | 91                | 109               | 128               |
| Other Operating Revenue  | 1,892              | 1,944             | 1,996             | 2,052             |
| Foundation Operating Support                                     | 238                | 241               | 244               | 247               |
| Investment Income  | 1,166              | 1,104             | 934               | 916               |
| Net Assets Released from Restrictions                            | 1,545              | 1,496             | 1,538             | 1,613             |
| <b>Total Revenues, Gains, and Other Support</b>                  | <b>79,472</b>      | <b>73,054</b>     | <b>77,807</b>     | <b>83,424</b>     |
| <b>Operating Expenses</b>  |                    |                   |                   |                   |
| Salaries   | 42,688             | 41,341            | 40,925            | 40,968            |
| Benefits   | 11,898             | 12,419            | 12,021            | 11,665            |
| Other  | 15,499             | 15,226            | 15,975            | 16,793            |
| Insurance  | 927                | 955               | 983               | 1,012             |
| NYS Assessment   | 2,713              | 2,345             | 2,578             | 2,849             |
| Bad Debts  | 355                | 280               | 319               | 366               |
| Interest Expense and Fees  | 1,827              | 3,955             | 4,397             | 5,770             |
| Depreciation   | 9,600              | 9,668             | 9,588             | 10,293            |
| <b>Total Operating Expenses</b>                                  | <b>85,507</b>      | <b>86,189</b>     | <b>86,786</b>     | <b>89,716</b>     |
| <b>Operating Loss</b>  | <b>(6,035)</b>     | <b>(13,135)</b>   | <b>(8,979)</b>    | <b>(6,292)</b>    |
| Other Non-Operating Revenues (Expenses)                          |                    |                   |                   |                   |
| Loss on Refunding, Net   | (794)              | -                 | -                 | -                 |
| Contributions from Related Party - Direct Support, Net           | 1,743              | 1,687             | 1,734             | 1,819             |
| Contributions from Related Party - On Behalf of Donors           | 500                | 500               | 500               | 500               |
| Contributions from Related Party Under Limited Support Agreement | 4,520              | -                 | -                 | 1,220             |
| <b>Total Other Non-Operating Revenues</b>                        | <b>5,969</b>       | <b>2,187</b>      | <b>2,234</b>      | <b>3,539</b>      |
| Excess (Deficit) of Revenues over Expenses                       | (66)               | (10,948)          | (6,745)           | (2,753)           |
| Net Change in Pension Plan Assets and Benefit Obligation         | (8,795)            | 2,865             | 2,408             | 2,078             |
| Change in Fair Value of Derivative Financial Instruments         | (1,991)            | -                 | -                 | -                 |
| <b>Change in Net Assets Without Donor Restriction</b>            | <b>\$ (10,852)</b> | <b>\$ (8,083)</b> | <b>\$ (4,337)</b> | <b>\$ (675)</b>   |
| <b>Net Assets With Donor Restriction</b>                         |                    |                   |                   |                   |
| Net Assets Released from Restriction                             | (1,545)            | (1,496)           | (1,538)           | (1,613)           |
| <b>Change in Net Assets With Donor Restriction</b>               | <b>\$ (1,545)</b>  | <b>\$ (1,496)</b> | <b>\$ (1,538)</b> | <b>\$ (1,613)</b> |
| <b>Change in Net Assets</b>                                      | <b>\$ (12,397)</b> | <b>\$ (9,579)</b> | <b>\$ (5,875)</b> | <b>\$ (2,288)</b> |
| <b>Net Assets, Beginning of Year</b>                             | <b>46,822</b>      | <b>34,425</b>     | <b>24,846</b>     | <b>18,971</b>     |
| <b>Net Assets, End of Year</b>                                   | <b>\$ 34,425</b>   | <b>\$ 24,846</b>  | <b>\$ 18,971</b>  | <b>\$ 16,683</b>  |

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

ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.  
FORECASTED COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDING DECEMBER 31,  
(In \$000s)

|   | 2019            | 2020            | 2021            | 2022            |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b>   |                 |                 |                 |                 |
| Change in Net Assets  | \$ (12,397)     | \$ (9,579)      | \$ (5,875)      | \$ (2,288)      |
| Adjustments to Reconcile Change in Net Assets<br>to Cash Flows from Operating Activities: |                 |                 |                 |                 |
| Depreciation  | 9,600           | 9,668           | 9,588           | 10,293          |
| Bad Debts   | 355             | 280             | 319             | 366             |
| Loss on Refunding, Net  | 794             | -               | -               | -               |
| Change in Fair Value of Derivative Financial Instrument                                   | 1,991           | -               | -               | -               |
| Net Change in Pension Plan Assets and Benefit Obligation                                  | 8,795           | (2,865)         | (2,408)         | (2,078)         |
| Net Periodic Benefit Cost - Pension   | 2,102           | 2,599           | 2,045           | 1,560           |
| Employer Contributions - Pension  | (2,660)         | (2,272)         | (2,000)         | (4,354)         |
| Amortization of Deferred Financing Costs  | 134             | 98              | 98              | 98              |
| Amortization of Bond Premium  | (47)            | (283)           | (283)           | (283)           |
| Entrance Fees Received, Net of Refunds  | 39              | 57              | 75              | 93              |
| Amortization of Entrance Fees   | (80)            | (91)            | (109)           | (128)           |
| Change in Due to Third Party Liability  | (258)           | -               | -               | -               |
| Decrease (Increase) in Current Assets   | (295)           | 382             | (901)           | (1,024)         |
| Increase in Liabilities   | 1,132           | 1,876           | 115             | 183             |
| <b>Net Cash Flows Provided by (Used in) Operating Activities</b>                          | <b>9,205</b>    | <b>(130)</b>    | <b>664</b>      | <b>2,438</b>    |
| <b>Cash Flows from Investing Activities</b>   |                 |                 |                 |                 |
| Net Change in Investments   | 8,502           | 7,014           | 3,555           | 1,617           |
| Purchase of Property and Equipment  | (13,926)        | (22,670)        | (14,706)        | (3,400)         |
| Capitalized Interest  | (104)           | (1,924)         | (1,429)         | -               |
| Net Change in Assets Limited as to Use  | (42,712)        | 17,709          | 13,148          | 697             |
| <b>Net Cash Provided by (Used in) Investing Activities</b>                                | <b>(48,240)</b> | <b>129</b>      | <b>568</b>      | <b>(1,086)</b>  |
| <b>Cash Flows from Financing Activities</b>   |                 |                 |                 |                 |
| Change in Loans Payable to Related Party  | (133)           | (137)           | (144)           | (149)           |
| Repayment of Series 2014 Bonds  | (69,679)        | -               | -               | -               |
| Proceeds from Series 2019 Bonds   | 118,474         | -               | -               | -               |
| Payment of Financing Costs  | (2,934)         | -               | -               | -               |
| Principal Paid on Bond Payable  | (2,294)         | -               | (1,070)         | (1,125)         |
| Termination of Swap   | (2,362)         | -               | -               | -               |
| <b>Net Cash Provided by (Used in) Financing Activities</b>                                | <b>41,072</b>   | <b>(137)</b>    | <b>(1,214)</b>  | <b>(1,274)</b>  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                               | <b>2,037</b>    | <b>(138)</b>    | <b>18</b>       | <b>78</b>       |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                                      | <b>5,033</b>    | <b>7,070</b>    | <b>6,932</b>    | <b>6,950</b>    |
| <b>Cash and Cash Equivalents - End of Year</b>  | <b>\$ 7,070</b> | <b>\$ 6,932</b> | <b>\$ 6,950</b> | <b>\$ 7,028</b> |

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

ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.  
FORECASTED COMBINED BALANCE SHEETS  
AT DECEMBER 31,  
(In \$000s)

|  | 2019       | 2020       | 2021       | 2022       |
|--|------------|------------|------------|------------|
| <b>ASSETS</b>  |            |            |            |            |
| <b>CURRENT ASSETS</b>                                |            |            |            |            |
| Cash and Cash Equivalents                            | \$ 7,070   | \$ 6,932   | \$ 6,950   | \$ 7,028   |
| Receivables:   |            |            |            |            |
| Residents and Other                                  | 7,330      | 6,724      | 7,190      | 7,721      |
| Other Accounts Receivable                            | 314        | 288        | 308        | 331        |
| Due from Third Party Payors - Current Portion        | 683        | 683        | 683        | 683        |
| Due from Related Parties                             | 1,275      | 1,275      | 1,275      | 1,275      |
| Prepaid expense and other current assets             | 2,025      | 1,995      | 2,091      | 2,195      |
| Current Portion of Assets Whose Use is Limited       | 4,112      | 7,207      | 7,213      | 7,210      |
| Total Current Assets                                 | 22,809     | 25,104     | 25,710     | 26,443     |
| <b>PROPERTY AND EQUIPMENT, NET</b>                   | 96,378     | 111,304    | 117,851    | 110,958    |
| <b>ASSETS LIMITED AS TO USE</b>                      |            |            |            |            |
| Debt Service Reserve Fund                            | 7,284      | 7,284      | 7,284      | 7,284      |
| Project Fund   | 30,578     | 11,307     | -          | -          |
| Capitalized Interest Fund                            | 4,192      | 2,609      | 723        | -          |
| Bond Fund  | 658        | 3,803      | 3,848      | 3,874      |
| Entrance Fee and Security Deposits                   | 4,931      | 4,931      | 4,931      | 4,931      |
| Beneficial Interest in Remainder Trusts              | 885        | 885        | 885        | 885        |
| Beneficial Interest in Perpetual Trusts              | 373        | 373        | 373        | 373        |
| Interest in Net Assets of Foundation                 | 2,690      | 2,690      | 2,690      | 2,690      |
| Less Current Portion                                 | (4,112)    | (7,207)    | (7,213)    | (7,210)    |
| Total Assets Limited as to Use                       | 47,479     | 26,675     | 13,521     | 12,827     |
| <b>OTHER ASSETS</b>                                  |            |            |            |            |
| Investments  | 29,565     | 22,551     | 18,996     | 17,379     |
| Other Investments                                    | 613        | 613        | 613        | 613        |
| Due from Third-Party Payors - Net of Current Portion | 164        | 164        | 164        | 164        |
| Due from Related Parties - Pension Contributions     | 114        | 114        | 114        | 114        |
| Investments - Equity Method                          | 1,701      | 1,701      | 1,701      | 1,701      |
| Total Other Assets                                   | 32,157     | 25,143     | 21,588     | 19,971     |
| Total Assets   | \$ 198,823 | \$ 188,226 | \$ 178,670 | \$ 170,199 |

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

ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.  
FORECASTED COMBINED BALANCE SHEETS (CONTINUED)  
AT DECEMBER 31,  
(In \$000s)

| LIABILITIES AND NET ASSETS                                | 2019              | 2020              | 2021              | 2022              |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>CURRENT LIABILITIES</b>                                |                   |                   |                   |                   |
| Accounts Payable  | \$ 2,475          | \$ 2,438          | \$ 2,555          | \$ 2,683          |
| Accrued Expenses  | 7,070             | 6,932             | 6,950             | 7,028             |
| Debt - Current Portion                                    | -                 | 1,070             | 1,125             | 1,180             |
| Loans Payable to Related Parties - Current Portion        | 133               | 137               | 144               | 149               |
| Due to Third-Party Payors - Current Portion               | 418               | 418               | 418               | 418               |
| Deferred Revenue  | 464               | 464               | 464               | 464               |
| Refundable Fees and Deposits                              | 3,454             | 3,404             | 3,365             | 3,336             |
| Accrued Interest Payable                                  | 703               | 2,750             | 2,723             | 2,695             |
| <b>Total Current Liabilities</b>                          | <b>14,717</b>     | <b>17,613</b>     | <b>17,744</b>     | <b>17,953</b>     |
| <b>LONG-TERM LIABILITIES</b>                              |                   |                   |                   |                   |
| Debt - Net  | 115,509           | 114,254           | 112,944           | 111,579           |
| Loans Payable to Related Parties - Net of Current Portion | 1,369             | 1,232             | 1,088             | 939               |
| Net Pension Liability                                     | 30,399            | 27,861            | 25,498            | 20,626            |
| Deferred Revenue from Entrance Fees                       | 627               | 643               | 648               | 642               |
| Deferred Revenue  | 59                | 59                | 59                | 59                |
| Security Deposits   | 987               | 987               | 987               | 987               |
| Deferred Compensation                                     | 613               | 613               | 613               | 613               |
| Other Accrued Liabilities                                 | 118               | 118               | 118               | 118               |
| <b>Total Long-Term Liabilities</b>                        | <b>149,681</b>    | <b>145,767</b>    | <b>141,955</b>    | <b>135,563</b>    |
| <b>Net Assets</b>   |                   |                   |                   |                   |
| Without Donor Restriction                                 | 24,864            | 16,781            | 12,444            | 11,769            |
| With Donor Restriction                                    | 9,561             | 8,065             | 6,527             | 4,914             |
| <b>Total Net Assets</b>                                   | <b>34,425</b>     | <b>24,846</b>     | <b>18,971</b>     | <b>16,683</b>     |
| <b>Total Liabilities and Net Assets</b>                   | <b>\$ 198,823</b> | <b>\$ 188,226</b> | <b>\$ 178,670</b> | <b>\$ 170,199</b> |

**See accompanying Summary of Significant Forecast Assumptions and Accounting Policies and  
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ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.  
FORECASTED COMBINED SCHEDULE OF FINANCIAL RATIOS  
FOR THE YEARS ENDING DECEMBER 31,  
(IN \$000s EXCEPT RATIOS)

| <b>Debt Service Coverage Ratio</b>   | <b>2019</b>      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      |
|--|------------------|------------------|------------------|------------------|
| Change in Net Assets Without Donor Restriction   | \$ (10,852)      | \$ (8,083)       | \$ (4,337)       | \$ (675)         |
| Deduct:  |                  |                  |                  |                  |
| Amortization of Entrance Fees  | (80)             | (91)             | (109)            | (128)            |
| Add:   |                  |                  |                  |                  |
| Change in Fair Value of Derivative Financial Instrument                                | 1,991            | -                | -                | -                |
| Net Change in Pension Plan Assets and Benefit Obligation                               | 8,795            | (2,865)          | (2,408)          | (2,078)          |
| Loss on Refunding, Net   | 794              | -                | -                | -                |
| Depreciation   | 9,600            | 9,668            | 9,588            | 10,293           |
| Interest Expense   | 1,827            | 3,955            | 4,397            | 5,770            |
| Entrance Fees Received, Net of Refunds   | 39               | 57               | 75               | 93               |
| <b>Income Available for Debt Service</b>   | <b>\$ 12,114</b> | <b>\$ 2,641</b>  | <b>\$ 7,206</b>  | <b>\$ 13,275</b> |
| <b>Maximum Annual Debt Service <sup>(1)</sup></b>                                      | <b>\$ 3,341</b>  | <b>\$ 4,627</b>  | <b>\$ 4,627</b>  | <b>\$ 7,284</b>  |
| <b>Maximum Annual Debt Service Coverage <sup>(2)</sup></b>                             | <b>3.63x</b>     | <b>0.57x</b>     | <b>1.56x</b>     | <b>1.82x</b>     |
| <b>Days Cash on Hand</b>   | <b>2019</b>      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      |
| Cash and Cash Equivalents  | \$ 7,070         | \$ 6,932         | \$ 6,950         | \$ 7,028         |
| Investments  | 29,565           | 22,551           | 18,996           | 17,379           |
| Entrance Fee and Security Deposits   | 4,931            | 4,931            | 4,931            | 4,931            |
| Less: Donor Restricted Investments <sup>(3)</sup>                                      | (5,016)          | (3,520)          | (1,982)          | (369)            |
| Less: Escrowed Security Deposits <sup>(4)</sup>  | (988)            | (988)            | (988)            | (988)            |
| <b>Total</b>   | <b>\$ 35,562</b> | <b>\$ 29,906</b> | <b>\$ 27,907</b> | <b>\$ 27,981</b> |
| Operating Expenses   | \$ 85,507        | \$ 86,189        | \$ 86,786        | \$ 89,716        |
| Plus (Less):   |                  |                  |                  |                  |
| Amortization of Deferred Financing Costs   | (134)            | (98)             | (98)             | (98)             |
| Amortization of Bond Premium   | 47               | 283              | 283              | 283              |
| Bad Debts  | (355)            | (280)            | (319)            | (366)            |
| Depreciation   | (9,600)          | (9,668)          | (9,588)          | (10,293)         |
| <b>Total</b>   | <b>\$ 75,465</b> | <b>\$ 76,426</b> | <b>\$ 77,064</b> | <b>\$ 79,242</b> |
| <b>Daily Operating Expenses <sup>(5)</sup></b>   | <b>\$ 207</b>    | <b>\$ 209</b>    | <b>\$ 211</b>    | <b>\$ 217</b>    |
| <b>Days Cash on Hand</b>   | <b>172</b>       | <b>143</b>       | <b>132</b>       | <b>129</b>       |
| Remaining Commitment under the Limited Support Agreement ("LSA") <sup>(6)</sup>        | \$ 15,480        | \$ 15,480        | \$ 15,480        | \$ 14,260        |
| <b>Days Cash on Hand - Including Remaining Commitment Under the LSA <sup>(6)</sup></b> | <b>247</b>       | <b>217</b>       | <b>206</b>       | <b>195</b>       |

Notes to the Forecasted Schedule of Financial Ratios:

- Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the funded interest on the portion of the Series 2019 Bonds relating to the renovation project for the first 30 months after the issuance of the Series 2019 Bonds.
- Pursuant to the Master Trust Indenture, the "Initial Testing Period" for the debt service coverage is the first full fiscal year commencing after the fiscal year in which the construction, renovation, and equipping of the Home facility is completed. Accordingly, Management has forecasted the first measurement year will be the fiscal year ending December 31, 2022. Management has elected to report fiscal year 2019, 2020, and 2021 for information purposes only as these years will not be subject to compliance requirements under the definition of Initial Testing Period in accordance with the Master Trust Indenture.
- Included within forecasted investments and net assets with donor restriction, the Obligated Group maintains unappropriated endowment appreciation. Management has forecasted the release of certain endowment earnings as net assets released from restriction for operations, which is in accordance with the Obligated Group 5% spend down policy. These amounts reflect the portion that remains under restrictions as of the end of each fiscal year that is included in investments and a component of net assets with donor restriction.

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

ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC. D/B/A THE HERITAGE,  
ST. ANN'S SENIOR HOUSING, INC. D/B/A CHERRY RIDGE, AND  
CHAPEL OAKS, INC.  
FORECASTED COMBINED SCHEDULE OF FINANCIAL RATIOS (CONTINUED)  
FOR THE YEARS ENDING DECEMBER 31,  
(IN \$000s EXCEPT RATIOS)

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- 4) In accordance with the Residency Agreement, the Obligated Group is required to comply with the escrow and trust fund provisions of Section 352-e(2)(b) and Section 352-h of the General Business Law of the State of New York and as such, the portion of Entrance Fees and Security Deposits amount that represents the 10% resident deposit has been excluded from the Days Cash on Hand calculation.
- 5) Daily operating expenses are equal to operating expenses less amortization of deferred financing costs and bond premium included as a component of interest expense, depreciation, and bad debts, divided by 365 days.
- 6) As noted hereinafter, in connection with the issuance of the Series 2019 Bonds, the Obligated Group will enter into a Limited Support Agreement ("LSA") with the Foundation where the Foundation will provide up to \$20,000,000 of support (for purposes as defined in the LSA). The above remaining commitment under the LSA and Days Cash on Hand – Including Remaining Commitment under the LSA have been included in the above ratio presentation for informational purposes only.

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

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information**

#### **Basis of Presentation**

The purpose of the examined financial forecast (the “Forecast”) is to evaluate the ability of the obligated group consisting of St. Ann’s Home for the Aged (the “Home”), St. Ann’s Nursing Home Company, Inc. d/b/a The Heritage (the “Care Center”), St. Ann’s Senior Housing, Inc. d/b/a Cherry Ridge (“Cherry Ridge”) (including Cherry Ridge Independent Living, LLC, Cherry Ridge Apartments, LLC, The Glen at Cherry Ridge, LLC), and Chapel Oaks, Inc. (“Chapel Oaks”) (collectively the “Obligated Group”) to meet the operating requirements, working capital requirements and other financial requirements associated with its plans to expand and enhance the service offerings by the Obligated Group through the reconfiguration and upgrading of portions of the Home, including floor renovations and upgrades to floors 3 - 8, kitchen and dining service redesign, and other infrastructure upgrades (collectively the “Project,” as described more fully hereinafter) and to refund the existing Series 2014 Bonds and the Chapel Oaks mortgage payable. The Project is forecasted to be funded from the proposed \$118,473,738 (inclusive of an original issue premium of \$8,503,738) Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann’s Community Project) Series 2019 (the “Series 2019 Bonds”), equity and contributions from the Foundation (as described hereinafter). Management of the Obligated Group is referred to as “Management.”

Management’s accompanying Forecast for the years ending December 31, 2019, 2020, 2021, and 2022 and for each of the years then ending (the “Forecast Period”) is forecasted by Management. The Forecast presents, to the best of the knowledge and belief of Management, the Obligated Group’s expected financial position, results of operations, and cash flows of the Obligated Group for the Forecast Period.

**Management’s Forecast has been prepared for the specific purpose of presenting the forecasted combined statements of operations and changes in net assets, combined statements of cash flows, and combined balance sheets of the Obligated Group, which are related through common ownership and management. This presentation is not intended to present the consolidated forecasted financial statements of St. Ann’s of Greater Rochester, Inc. (“St. Ann’s Community”) and its controlled entities, since it excludes the St. Ann’s Foundation and St. Ann’s of Greater Rochester, Inc.**

Accordingly, the Forecast reflects Management’s judgment as of November 11, 2019, the date of this Forecast, of the expected conditions and its expected course of action during the Forecast Period. The assumptions disclosed herein, while not all-inclusive, are those that Management believes are significant to its 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.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

**Fundamental to the Forecast is the assumption that the operations of the Obligated Group will be competently and efficiently managed and its services professionally and consistently marketed. In addition, the validity of the Forecast will decrease substantially in proportion to the time elapsed since its preparation. Management's Forecast has been prepared in connection with the proposed issuance of the Series 2019 Bonds. Management does not intend to update its Forecast of the Obligated Group subsequent to the issuance of this forecast and accordingly there are risks inherent to referring to or using this forecast in the future as it may, and most likely will, become outdated.**

The assumed interest rates, principal payments, Project-related costs, other financing assumptions, and assumptions pertaining to the forecasted revenue, expenses, and cash flows are described herein. If the actual interest rates, principal payments, Project-related costs, or other financing assumptions related to the Series 2019 Bonds are different from those assumed, the principal amount of the Series 2019 Bonds, and associated debt service requirements would need to be adjusted, accordingly, from those indicated in the Forecast. If interest rates, principal payments, and funding requirements are lower than those assumed, then such adjustments would not adversely affect the forecast.

### **Background of the Organization**

St. Ann's of Greater Rochester, Inc. ("St. Ann's Community" or the "Corporation") is a faith-based provider of residential and long-term care facilities for seniors. They are a senior housing and health services provider, with a tradition of quality care for older adults that began over 145 years ago. Since 1873, the Corporation has been serving the elderly community, as they have continued to expand their range of services into their three locations (Irondequoit, Webster & LeRoy, New York).

There are two facilities located in Irondequoit, New York on an approximate 17-acre campus. St. Ann's Home (the "Home") consists of two buildings: a ten-story building that contains 354 skilled nursing beds and 34 post-acute beds and a four-story building known as the "Wegman Care Center" that contains 72 skilled nursing beds and 10 palliative care beds. The Wegman Care Center was built as an addition to the 10-story building in 2012. The two buildings are connected by a walkway that also holds administrative offices. The second facility located in Irondequoit, New York is Chapel Oaks. Chapel Oaks is a senior independent living facility consisting of 120 independent living apartments located on the Irondequoit campus behind the Home. In 2014, Chapel Oaks opened a wellness center and pool as part of the amenities of the facility.

St. Ann's Community also has a campus located on 39-acres of property in Webster, New York. On this campus, there are two facilities: the Care Center and Cherry Ridge.

Cherry Ridge was established in 2005 and offers independent/retirement living. It consists of 55 two-bedroom cottage homes that offer entrance fee and rental options; 71 one & two-bedroom rental apartments; 51 assisted living apartments and 24-memory care studio suites. The facility has multiple dining venues as well.

The Care Center is a 72-bed skilled nursing facility in a four-story building. The Care Center was established in 2012 and was built in the neighborhood model of care.

The Home, Chapel Oaks, Cherry Ridge and the Care Center are each a not-for-profit corporation organized under the laws of the State of New York (the "State") and are each exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

#### ***Mission and Vision***

The mission of St. Ann's Community is to promote the highest levels of independence and physical and spiritual well-being of older adults in the Catholic tradition of excellence in care and services.

The vision of St. Ann's Community is to be the provider and employer of choice for comprehensive care, housing, and services for older adults. St. Ann's Community is part of the Quality First Initiative ("Quality First"), a philosophy of quality and a framework for earning public trust in aging services. Quality First is a renewal of the Corporation's commitment to help older adults and their loved ones live their lives to the fullest potential. Quality First is about raising the consciousness of all of the stakeholders... government, consumers, the people served, and their families.

#### ***Entities that Comprise the Obligated Group***

St. Ann's Home, St. Ann's Care Center, Chapel Oaks, and Cherry Ridge (collectively the "Facilities" and each a "Facility"), are each subsidiaries of St. Ann's Community. Below is a description of the Facilities and the operations of these entities that comprise the Obligated Group.

#### ***St. Ann's Home***

St. Ann's Home was built in 1963 to meet the increasing need of the Rochester community for elder care. St. Ann's Home, at that time, was a 388-bed residential health care facility that provided nursing services to the elderly. St. Ann's Home underwent a major renovation in 1999 of approximately \$21 million to upgrade resident rooms, create a rehabilitation unit with dining and satellite gym on the ninth floor of the Home and create a dedicated unit on the first floor for residents living with dementia. At that time, St. Ann's Home added 34 beds, which were transferred from the Care Center. In 2002, St. Ann's Home resident rooms underwent another small renovation to upgrade the facilities. In 2012, St. Ann's Home underwent a second major renovation when it built the Wegman Care Center. The Wegman Care Center added an additional 38 rehabilitation beds and 10 palliative care beds. In 2015, St. Ann's Home underwent a \$2.5 million renovation to its basement floor to add training classroom space, as well as an upgraded cafeteria and resident enrichment room. Because of the changing environment of post-acute care in the Rochester area, St. Ann's Home, in 2018, underwent another renovation of the ninth floor and reverted 38 rehabilitation beds to long term care beds and moved its rehabilitation unit from the Wegman Care Center to the ninth floor of the Home. In 2019, St. Ann's Home began a \$36 million renovation project to renovate floors 3-8 in the Home and convert them to a neighborhood model environment, as further discussed hereinafter.

In addition to long term care, post-acute rehabilitation and palliative care, St. Ann's Home also provides adult day services, both medical and social models, and currently has an alliance with Rochester Regional Health to provide outpatient wound healing services for complex wounds and ostomy care including preoperative and postoperative care.

#### ***St. Ann's Care Center***

St. Ann's Nursing Home Company, Inc. d/b/a The Heritage was originally established on the property of the St. Ann's Home as a 203-bed skilled nursing facility. In 2012, when St. Ann's Home added the Wegman Care Center, the Corporation moved 72 of the Care Center's beds to the Webster campus and established the St. Ann's Care Center.

#### ***Chapel Oaks, Inc.***

Chapel Oaks is a 120-unit facility built in 1997 that includes one and two bedroom rental apartments. Chapel Oaks is located on 14 acres in Irondequoit right behind the St. Ann's Home on Portland Avenue. Chapel Oaks has six levels of one and two-bedroom apartments. There is an on-site wellness center, which includes a pool, a fitness center and a wellness coordinator. There is also a large dining room, a newly renovated pub, a game room and a small bistro area for breakfast and lunch dining options.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Background Information (continued)**

#### ***St. Ann's Senior Housing, Inc.***

Cherry Ridge, established in 2005, is an independent living retirement community of 55 two-bedroom cottage homes, offering both entrance fee and rental options, as well as 71 one and two-bedroom rental apartments, 51 assisted living apartments and 24 memory care studio apartments. Cherry Ridge is located in Webster, New York on 41 acres. It is co-located with St. Ann's Care Center and establishes a full continuum of care on the Webster campus. Cherry Ridge has multiple dining venues, including a café and large private dining room, a hair salon/barber shop, a library, several outdoor gardens, a bocce ball court, walking path, a fitness center with a wellness coach, and a game room.

Hereinafter, all independent living units will be collectively referred to as "Independent Living Units," all assisted living units will be collectively referred to as "Assisted Living Units," all memory care assisted living units will be collectively referred to as "Memory Care Assisted Living Units," and all skilled nursing beds will be collectively referred to as "Skilled Nursing Beds."

#### **Affiliated Entities that are not Obligated Group Members**

***St. Ann's of Greater Rochester, Inc. ("SAGRI")*** is a nonprofit corporation, formed in 1995 to support the long-term mission of the Home, the Care Center, Chapel Oaks, Cherry Ridge, and St. Ann's Foundation – collectively, the controlled entities.

***St. Ann's Foundation (the "Foundation")*** is a nonprofit organization whose primary purpose is to solicit, receive and maintain funds for the benefit of St. Ann's Community. The Foundation also provides and promotes programs related to the field of geriatrics. The Foundation was established in 1989 specifically to be the charitable arm of St. Ann's Community. St. Ann's of Greater Rochester, Inc. is the sole corporate member of the Foundation.

***St. Ann's Affordable Housing for Seniors, LLC ("Affordable Housing")*** is a disregarded entity, solely owned by SAGRI. Affordable Housing was established in 2017 as part of a co-development project with the intent to occupy a community space located in a low-income senior living housing complex.

***St. Ann's LeRoy, LLC ("St. Ann's LeRoy")*** is a disregarded entity, solely owned by SAGRI. LeRoy was established in October 2018 to purchase an existing 51-bed independent living community in LeRoy, New York. In April 2019 the purchase was completed. St. Ann's LeRoy has 51 one and two-bedroom rental apartments.

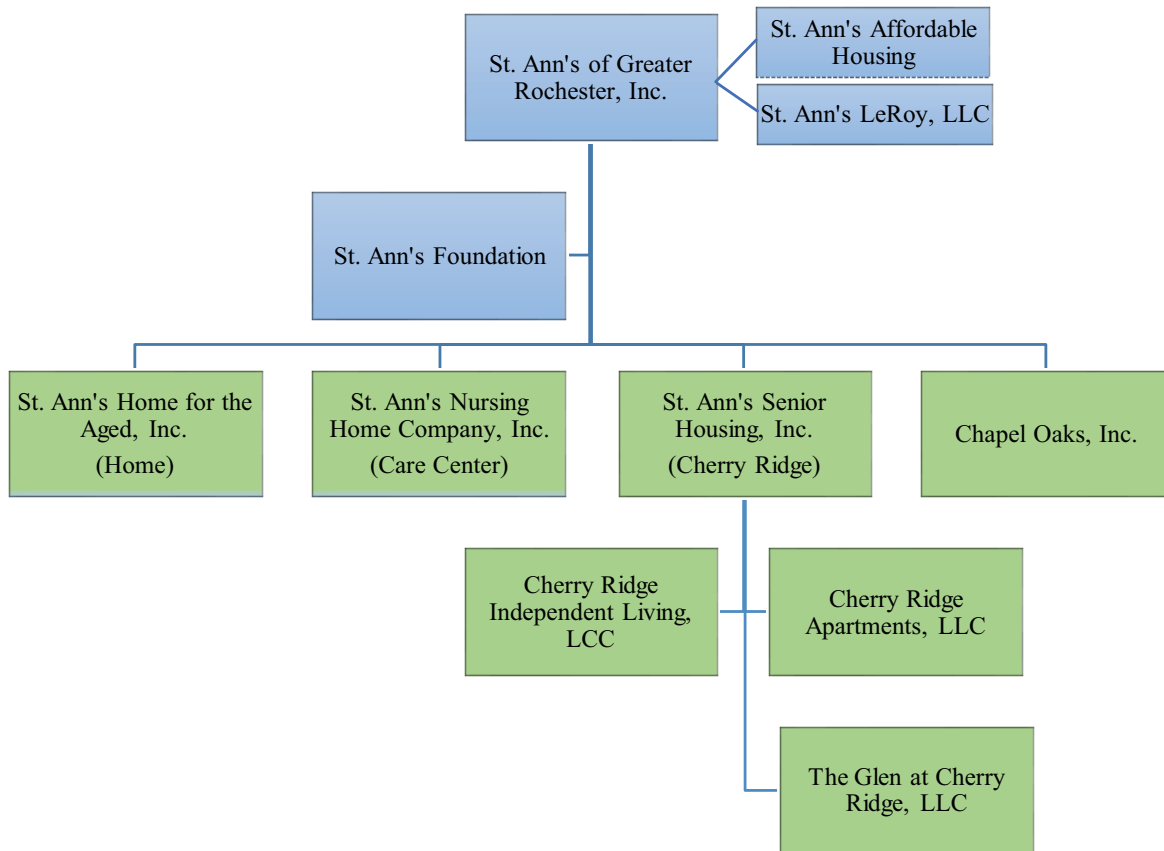
**Only the Home, the Care Center, Chapel Oaks, and Cherry Ridge will serve as co-obligor borrowers of the proceeds of the Series 2019 Bonds. None of the affiliated entities, other than the Home, the Care Center, Chapel Oaks, and Cherry Ridge, are members of the Obligated Group responsible for any of the obligations associated with the Series 2019 Bonds. None of the revenues or assets of any of the affiliated corporations (other than the Home, the Care Center, Chapel Oaks, and Cherry Ridge) will be pledged toward the repayment of the Series 2019 Bonds, except as set forth in the Limited Support Agreement by and between the Obligated Group and the Foundation (see Table 20), and their operations will not be subject to the covenants contained in the Master Trust Indenture.**

***Summary of Significant Forecast Assumptions and Accounting Policies***

**Background Information (continued)**

***Organizational Structure***

An organizational chart, showing the structure and the interrelationship of the affiliated entities and subsidiaries is set forth below. Obligated Group members are shown in green.



## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

As noted hereinafter, any resident moving into a Facility of the Obligated Group will be required to enter into a “Residency Agreement” as applicable to each member of the Obligated Group.

#### ***Independent Living Units***

##### Chapel Oaks

Entrance into Chapel Oaks requires residents to have no health condition which would endanger themselves, or another Chapel Oaks resident, and submit a confidential data application. Resident must be at least 60 years of age and have assets and income which will be sufficient under foreseeable circumstances and after provision for payment of resident’s obligations under their Residency Agreement to meet ordinary and customary living expenses after assuming occupancy.

Residents of Chapel Oaks receive the following amenities and services as defined in the Residency Agreement:

- Apartments furnishings, including:
  - fully equipped kitchen, including an electric range and oven, garbage disposal, frost-free refrigerator and dishwasher;
  - washer and dryer;
  - emergency call system;
  - carpeted living and bedroom areas;
  - tile kitchen and bath(s);
  - wooden blind window treatments;
  - smoke detector and fire sprinkler system; and
  - balcony or patio
- Access to community common areas, including:
  - dining room;
  - private dining room;
  - living room with fireplace;
  - multi-purpose activity room;
  - library;
  - fitness center and pool;
  - arts and craft center;
  - beauty salon, barbershop and spa; and
  - outdoor parking for residents and guests
- Lifestyle services, including:
  - Dining services, in which residents receive a declining balance value of \$165 per month to be spent on meals. Any additional meals are billed monthly, and unused balances are rolled forward;
  - Housekeeping, including vacuuming, dusting, changing bed linens, and light cleaning every two weeks;
  - Utilities (excluding cable, internet, and telephone charges);
  - Emergency alert system;
  - Maintenance, providing repair, maintenance and replacement for facility-provided furnishings;
  - Transportation for local shopping, social and cultural events, medical facilities, and other local destinations on a regularly scheduled basis;
  - Social and recreational programs;
  - Property taxes and insurance on apartments;
  - Wellness programming, including preventative health screening and exercise programs;



## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

- Priority access to the Care Center and the Home for residents in need of supporting services or nursing care (to the extent permitted by law and to the degree possible) if the resident meets the admission requirements in effect; and
- Individual storage locker
  
- Additional Services, provided for an additional fee, could include:
  - Additional housekeeping;
  - Entertainment packages;
  - Alcohol beverages in dining room;
  - Laundry service for personal items;
  - Additional resident meals;
  - Guest meals;
  - Catering for special occasions;
  - Garage parking;
  - Beauty salon, barber services and spa services;
  - Special maintenance requests; and
  - Other services offered from time to time.

Residents pay rent in the form of a monthly service fee and at any time after occupancy, the resident may terminate the agreement by giving thirty (30) days written notice of termination.

#### Cherry Ridge

Cherry Ridge offers two different types of independent living options as described below.

#### The Apartments at Cherry Ridge

The Apartments at Cherry Ridge, as subsequently defined, are comprised of 71 one and two-bedroom rental apartments.

Entrance into the “Apartments at Cherry Ridge” is open to persons 60 years of age or older and his or her spouse and who are not in need of continual health services that must be supplied by a licensed health care provider. The resident must have assets and income that will be sufficient under foreseeable circumstances to pay the financial obligations to meet ordinary living expenses. Applicants must submit a confidential data application and financial statement when entering into a Residency Agreement. Within seven days of written acceptance, the resident must pay a security deposit equal to the monthly service fee for the selected unit and a security deposit in an amount equal to the monthly service fee. The initial amount equal to the monthly service fee for the selected unit is used as the first month’s rent. If the resident fully complies with all the terms of the rental agreement, the resident will receive back the security deposit after the term ends. Management notifies the resident as early as possible of the date when the unit is ready for occupancy.

Residents pay rent in the form of a monthly service fee and at any time after occupancy, the resident may terminate the agreement by giving thirty (30) days written notice of termination.

Residents of the Apartments at Cherry Ridge receive the following amenities and services as defined in the Residency Agreement:

- Stove, dishwasher, refrigerator and clothes washer and dryer hook-up;
- Access to common areas and amenities including, but not limited to, convenience store, café, fireplace, lounge, lobby/living room, computer station, fitness areas and programs, card and craft area, private dining room, parking areas, outdoor gardens, walking path, professional landscaping, conference/meeting room,

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

security services, emergency call system, priority access to continuum of care subject to admissions review, accessible buildings, and regularly scheduled services;

- Utilities (except telephone and cable television);
- Daily continental breakfast (cost of additional meals taken by resident are billed on a monthly basis);
- Scheduled transportation to grocery store and neighboring banks;
- All home maintenance on equipment;
- Laundry room access;
- Emergency call system;
- Snow removal; and
- Grounds keeping

#### **The Cottages at Cherry Ridge**

The Cottages at Cherry Ridge, as subsequently defined, are comprised of 55 two-bedroom cottage homes. Entrance into the “Cottages at Cherry Ridge” is open to persons 60 years of age or older and his or her spouse and who are not in need of continual health services that must be supplied by a licensed health care provider. Residents of the Cottages at Cherry Ridge can select from the Rental Option (as defined hereinafter) or the Entrance Fee Option (as defined hereinafter).

#### **Non-Entrance Fee Option (the “Rental Option”)**

For those residents who have selected the Rental Option, the resident must have assets and income that will be sufficient under foreseeable circumstances to pay the financial obligations to meet ordinary living expenses. Applicants must submit a confidential data application and financial statement when entering into a Residency Agreement. Within seven days of written acceptance, the resident must pay a security deposit equal to the monthly service fee for the selected unit and a security deposit in an amount equal to the monthly service fee. The initial amount equal to the monthly service fee for the selected unit is used as the first month’s rent. If the resident fully complies with all the terms of the rental agreement, the resident will receive back the security deposit after the term ends. Management notifies the resident as early as possible of the date when the unit is ready for occupancy.

Residents pay rent in the form of a monthly service fee and at any time after occupancy, the resident may terminate the agreement by giving sixty (60) days written notice of termination.

#### **Entrance Fee Option (the “Entrance Fee Option”)**

For those who select the Entrance Fee Option, applicants must submit the following:

- An executed “Application for Reservation” or “Priority Reservation Agreement”;
- Two executed W-9 forms identifying the resident’s social security number;
- A confidential data application; and
- A financial statement

The resident must have assets and income that will be sufficient under foreseeable circumstances to pay the financial obligations to meet ordinary living expenses. Upon written acceptance, the resident must enter into a Residency Agreement. Management notifies the resident as early as possible of the date when the unit is ready for occupancy.

The components of rent are an entrance fee and monthly service fee. As a condition of becoming a resident, applicants must select their entrance fee refund option. There are two entrance fee options available for residents to select from: (1) the “Traditional Plan” (a zero percent refundable entrance fee) or (2) the “90% Entrance Fee Option”.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

Under the Traditional Plan, the portion of the entrance fee that is refundable declines at the rate of two percent per month during the first 50 months of occupancy, after which time no refund is due to the resident. Under the 90% Entrance Fee Option, the amount of the entrance fee that is refundable declines at the rate of one percent per month for the first 10 months of occupancy. Thereafter, Cherry Ridge is obligated to refund 90% of the entrance fee without future reduction.

A 10% priority reservation deposit, equal to 10% of the total entrance fee, is due within seven days of written acceptance. The balance of the total entrance fee is paid upon or prior to occupancy. All entrance fee funds are deposited into escrow accounts and earn interest until the date of withdrawals to pay the entrance fee when the resident moves into the Cottages at Cherry Ridge.

In addition to the entrance fee, residents agree to pay a monthly service fee after occupancy, which is paid in advance by the first day of the month.

At any time after occupancy, the resident may terminate their rental agreement by giving Cherry Ridge a 90-day written notice. Any entrance fee refund will be remitted within 60 days of the re-letting of the unit, but no later than six months after surrender of the specific unit.

Residents of the Cottages at Cherry Ridge receive the following amenities and services as defined in the Residency Agreement:

- Utilities (except cable, telephone, and in-home internet);
- Complimentary continental breakfast and 130 points per month in the café and bistro (the cost of any additional meals are billed on a monthly basis);
- Scheduled transportation to grocery store and neighboring banks;
- All home maintenance on equipment;
- Laundry room access;
- Emergency call system;
- Snow removal;
- Grounds keeping; and
- Professional landscaping

### ***Assisted Living and Memory Care Units***

Cherry Ridge offers 51 private and semi-private Assisted Living Units (“The Glen”) and 24 Assisted Living Memory Care Units (“Rainier Grove”). In addition to the wide range of shared amenities and activities within the Cherry Ridge community, residents also receive the following services and amenities as defined in the Residency Agreement:

- Three meals and one evening snack per day;
- Kitchenette with sink and refrigerator;
- Weekly housekeeping, including floor care, dusting and bathroom cleaning;
- Personal laundry and linen service;
- All utilities included (except phone and cable);
- Recreation activities;
- Transportation to various planned activities;
- Craft and garden room access;
- Wellness programming with access to a full continuum of care;
- Medication supervision;

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

- Personal care assistance, including bathing, dressing, toileting, ambulation, transferring and feeding;
- 24-hour personal care aid service; and
- Emergency call system

Residents pay a basic daily rate, as well any additional, supplemental or community fees for services, supplies, and amenities provided by the residence. Security deposits in an amount equal to 30 days rent are required upon acceptance into the residence.

#### ***Skilled Nursing Beds***

St. Ann's Home offers 470 Skilled Nursing Beds, spread across two buildings at the Home and the Wegman Care Center. Between these two buildings, there are 390 long-term Skilled Nursing Beds (the "Long-Term Care Center"), 36 special care units (the "Special Care Unit"), 34 post-acute beds (the "Transitional Care Center") and 10 palliative hospice units (the "Leo Center for Caring"). The two buildings are connected by a walkway that holds administrative offices.

St. Ann's Care Center offers 72 Skilled Nursing Beds.

#### ***Long-Term Care Center***

The Home (including the Wegman Care Center) and the Care Center both offer Long-Term Care Center services. They provide 390 units, and 72 units, respectively, offering private and semi-private room and board, including therapeutic or modified diets as prescribed by a physician. Residents also have full access to activities programs and social work.

#### ***Transitional Care Center***

Within the Transitional Care Center, there are 34 post-acute transitional care units, which provide short-term rehabilitation to residents and others outside the St. Ann's Community seeking rehab care. In addition to the standard skilled nursing care at the Home, physical therapy, occupational therapy, speech therapy, and therapeutic recreation are available.

#### ***Special Care Unit***

The Special Care Unit is designed for individuals who are in the mid to late stages of dementia and require skilled nursing care. There are 36 units which are designed to be in a safe, calm environment and a continuous indoor walking path with resting spots that include a garden and aviary. In addition to the standard long-term care amenities and services provided, there is a country kitchen for social gatherings, family-style dining, baking, cooking and midnight snacks. There are also small group activities provided for structure, routine and socialization. Daily activities can include music, art, exercise, dance, song, and sensory stimulation. Residents are assisted with daily activities such as food handling and serving techniques, personal laundry, light housekeeping, maintaining a pet, plant therapy.

#### ***Leo Center for Caring***

The Leo Center for Caring offers 10 units which provide hospice and palliative care for both residents of the St. Ann's Community or others from the greater community. The patient rooms provide for seating of family members, lounge areas for private conversations, and a dedicated meditation room for quiet reflection. There are also overnight accommodations and food service for family members.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

As noted in the “Admissions Agreement” for individuals seeking nursing care services from the St. Ann’s Community, residents receive the following services and amenities for nursing care:

- Room and board, including therapeutic or modified diets as prescribed by a physician;
- 24 hours a day access to nursing care and other services by other staff members in the daily performance of assigned duties;
- The use of equipment and supplies, including catheters, syringes and needles, dressings, crutches, walkers, wheelchairs, and so forth are also provided;
- Use of oxygen as required for resident’s care and treatment when ordered by the resident’s medical provider;
- Bed linens, changed at least twice weekly and as required for incontinent residents;
- Gowns or pajamas, as required by clinical condition and need for privacy and dignity;
- Laundry services for residents’ machine washable items;
- General medical household medicine cabinet supplies and toiletries;
- Assistance in activities of daily living as required, including dressing, toileting, bathing, feeding, etc.;
- Access to activities programs;
- Access to social work;
- Dental services; and
- Physician or nurse practitioner services.

### **Transfers to Assisted Living, Memory Care, and Skilled Nursing Beds**

A resident desiring to transfer for health care at Cherry Ridge, the Care Center, or at the Home, and who meets the standards for admission then in effect will be given priority admission, subject to the availability of space. The resident agrees to pay the established fees then in effect at the location of transfer.

A resident may make a temporary or permanent transfer to an appropriate facility in the event it is determined that the resident is unable to live independently or otherwise no longer meets the standards for continued residency in an Independent Living Unit. All temporary or permanent transfer determinations are made by Management, in consultation, to the extent feasible, with the resident, resident’s family or representative and resident’s attending physician.

Temporary Transfer – a resident is classified as a temporary transfer if, after consultation with the resident, resident’s family or representative is likely to return to an Independent Living Unit in the near future. During a temporary transfer, resident will continue to pay all of the charges associated with the higher level of care, as well as continue paying the monthly service fee/rent for resident’s Independent Living Unit.

Permanent Transfer – A resident is classified as a permanent transfer if, after consultation with the resident, resident’s family or representative, or resident’s attending physician, that for health reasons, the resident is likely to be in need of increased levels of care for the foreseeable future. For single occupancies, a permanent transfer will be effective on the date the resident relinquishes the Independent Living Unit. Thereafter, resident will be required to pay all charges associated with the new level of care. For dual occupancies, a permanent transfer reduction will be effective on the date the permanent transfer goes into effect. At this time, the monthly service fee/rent will be reduced for the resident remaining in the Independent Living Unit. The non-transferring resident will pay the monthly charges associated with the Independent Living Unit occupied and be responsible for paying applicable charges for prescription medications, special equipment, and additional personal or medical services not otherwise included in the applicable fee.

Readmission to Independent Living Unit – If, after a permanent transfer, the resident again meets the standards for residency at the Independent Living Unit, and wishes to return to an Independent Living Unit, the resident will be

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Background Information (continued)**

given priority admission, to the extent feasible. Readmission will be effective, for a single occupant, on the date resident takes occupancy of the Independent Living Unit and the resident will be required to pay the current monthly charges associated with the Independent Living Unit occupied. For double occupancies, the readmission will be effective on the date that the readmitted residents occupy the Independent Living Unit. Therefore, the residents will be charged the monthly service fee/rent applicable to double occupancy.

#### ***The Project***

The “Project” will include the renovation of the Skilled Nursing Beds on floors 3-8 of the Home, including the addition of private bathrooms in most of the rooms, the expansion of the kitchen and dining services area on each floor, and other infrastructure upgrades at the Home.

Specifically, the following capital improvements are forecasted to be made:

- Reconfiguring floors 3 through 8 at the Home into two “Households” of 15 residents for a total of 30 residents per floor;
- Modifying floors 3 through 8 to provide an entry sequence to the Households by creating an elevator foyer, and a distinct entrance to each of the Households;
- Modifying resident rooms as a result of the smaller number of beds per floor;
- Food service renovations, including an open kitchen on floors 3 through 8;
- The addition of central air-conditioning to common areas on floors 1 through 8 at the Home;
- Relocation of the main kitchen (ground floor) exhaust duct and electrical upgrades;
- New trash chute to serve all floors at the Home, to be created at the core of the building in the existing service area;
- Duct relocation from the main, ground floor kitchen, to allow for the main kitchen shaft to be eliminated;
- Existing shafts will house new ductwork to bring current systems up to code, especially as they relate to new ventilation requirements;
- Upgraded electric service to floors 3 through 8 at the Home;
- A new 4-pipe fan coil system to each floor at the Home; and
- Upgraded transfer switches and electrical gear.

The Project, as noted in Table 1, will result in a net 96 Skilled Nursing Bed reduction to floors 3 through 8 at the Home.

**Summary of Significant Forecast Assumptions and Accounting Policies**

**Background Information (continued)**

**Table 1  
Unit Configuration Before and After Completion of the Project by Type and Number**

| Location              | Service Line       | Unit Type                   | Pre-Construction | Construction |      |      | Post Construction |
|-----------------------|--------------------|-----------------------------|------------------|--------------|------|------|-------------------|
|                       |                    |                             |                  | 2019         | 2020 | 2021 | 2021              |
| Cherry Ridge          | Independent Living | Apartments - Rental         | 71               | -            | -    | -    | 71                |
| Cherry Ridge          | Independent Living | Cottages - Rental           | 30               | -            | -    | -    | 30                |
| Cherry Ridge          | Independent Living | Cottages - Entrance Fees    | 25               | -            | -    | -    | 25                |
| Chapel Oaks           | Independent Living | Apartments - Rental         | 120              | -            | -    | -    | 120               |
| Cherry Ridge          | Assisted Living    | Traditional Assisted Living | 51               | -            | -    | -    | 51                |
| Cherry Ridge          | Assisted Living    | Memory Care                 | 24               | -            | -    | -    | 24                |
| St. Ann's Care Center | Skilled Nursing    | Long-Term Care              | 72               | -            | -    | -    | 72                |
| St. Ann's Home        | Skilled Nursing    | Long-Term Care              | 390              | (32)         | (32) | (32) | 294               |
| St. Ann's Home        | Skilled Nursing    | Special Care                | 36               | -            | -    | -    | 36                |
| St. Ann's Home        | Skilled Nursing    | Rehabilitation              | 34               | -            | -    | -    | 34                |
| St. Ann's Home        | Skilled Nursing    | Hospice                     | 10               | -            | -    | -    | 10                |
| St. Ann's Home        | Adult Day Services | Adult Day                   | 84               | -            | -    | -    | 84                |
|                       |                    | Total                       | 947              | (32)         | (32) | (32) | 851               |

Source: Management

A proposed timeline for the Project, as provided by Management, is summarized in the following table:

**Table 2  
Project Timeline**

| Event                              | Date   |
|------------------------------------|--|
| Begin Construction                 | April 2019   |
| Obtain Series 2019 Bonds Financing | November 2019  |
| Available to Occupy <sup>(1)</sup> | Floors will become available for occupancy as soon as they are complete. Two floors are under construction at any given time during the construction period. |
| Complete Construction              | Sept 2021  |
| Achieve Stable Occupancy           | December 2021  |

Source: Management

**Notes:**

- (1) See **Table 16** for Management's forecasted phasing of transition and construction time for the Project.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Sources and Uses of Funds**

Management has assumed the following sources and uses of funds relating to the Project in preparing its financial forecast based in part on information provided by B.C. Ziegler and Company (the “Underwriter”). A summary of the forecasted sources and uses of funds for the Obligated Group’s financing is provided in the following table:

**Table 3**  
**Forecasted Sources and Uses of Funds**  
**(in \$000s)**

|                                    |    |             |
|------------------------------------|----|-------------|
| Sources:                           |    |             |
| Series 2019 Bonds - Refunding      | \$ | 71,100      |
| Series 2019 Bonds - New Money      |    | 38,870      |
| Plus: Premium                      |    | 8,504       |
| <hr/>                              |    |             |
| Total Bond Proceeds                |    | 118,474 (1) |
| Equity Contribution                |    | 10,000 (2)  |
| <hr/>                              |    |             |
| Total Sources of Funds             | \$ | 128,474     |
| <hr/>                              |    |             |
| Uses:                              |    |             |
| Refunding Escrow Deposit           | \$ | 69,923 (3)  |
| Swap Termination                   |    | 2,362 (4)   |
| Construction Costs                 |    | 32,266 (5)  |
| Design and Consulting              |    | 4,462 (6)   |
| Furniture, Fixtures, and Equipment |    | 3,439 (7)   |
| Construction Manager Fees          |    | 1,090 (8)   |
| Other Fees                         |    | 343 (9)     |
| Debt Service Reserve Fund          |    | 7,284 (10)  |
| Capitalized Interest Fund          |    | 4,371 (11)  |
| Costs of Issuance                  |    | 2,934 (12)  |
| <hr/>                              |    |             |
| Total Uses of Funds                | \$ | 128,474     |

Source: Management and the Underwriter

**Certain summaries, assumptions, rationale, and descriptions included in Management’s financial forecast are more fully described in the financing related documents pertaining to the Series 2019 Bonds. For more detailed information regarding the proposed terms, conditions, debt service requirements, and any other requirements of the Series 2019 Bonds, all of the Series 2019 Bonds financing-related documents should be read in their entirety.**



## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Sources and Uses of Funds (continued)**

#### **Notes to Table 3:**

(1) Series 2019 Bonds:

The Underwriter has indicated that bond proceeds of \$118,473,738 (inclusive of original issue premium of \$8,503,738) are estimated to be generated from the proposed issuance of the Series 2019 Bonds. The responsibility for payment of the debt service on the Series 2019 Bonds is solely that of the Obligated Group. The Underwriter has indicated a capital cost of 4.60% consisting of the following structure and terms of the Series 2019 Bonds:

- \$19,250,000 tax-exempt fixed rate term bonds (the “10-Year Term Bonds”) assumed to be issued with a fixed interest rate of 5.00%, maturing January 1, 2030, subject to annual sinking fund redemptions from January 1, 2021 through January 1, 2030. Interest on the 10-Year Term Bonds is payable January 1 and July 1 of each year beginning on January 1, 2020.
- \$34,515,000 tax-exempt fixed rate term bonds (the “20-Year Term Bonds”) assumed to be issued with a fixed interest rate of 5.00%, maturing January 1, 2040, subject to annual sinking fund redemptions from January 1, 2031 through January 1, 2040. Interest on the 20-Year Term Bonds is payable January 1 and July 1 of each year beginning on January 1, 2020.
- \$56,205,000 tax-exempt fixed rate term bonds (the “30-Year Term Bonds”) assumed to be issued with a fixed interest rate of 5.00%, maturing January 1, 2050, subject to annual sinking fund redemptions from January 1, 2041 through January 1, 2050. Interest on the 30-Year Term Bonds is payable January 1 and July 1 of each year beginning on January 1, 2020.

Of the \$118,473,738 Series 2019 Bonds, the Underwriter has indicated \$41,832,868 (inclusive of original issue premium of \$2,962,868) relates to the Project monies and other related items and \$76,640,870 (inclusive of original issue premium of \$5,540,870) is for the refunding monies of the Series 2014 Bonds and other related items.

- (2) Management has forecasted the Obligated Group will receive a contribution of approximately \$4,520,000 from the Foundation, upon issuance of the Series 2019 Bonds, which will be used as a source of equity for the Project. Management has forecasted the Obligated Group will fund the remaining \$5,480,000 from available cash and investments.
- (3) Management has forecasted the refunding of the Series 2014 Bonds and the Chapel Oaks Mortgage Payable. This amount represents the funds needed to redeem the Series 2014 Bonds and the Chapel Oaks Mortgage Payable plus accrued interest.
- (4) Represents the amount that will be used for termination of an existing swap agreement.
- (5) Management has forecasted the construction costs for the Project, and other related ancillary costs relating to the construction, will be approximately \$32,266,000. Management has entered into an executed guaranteed maximum price (“GMP”) contract with the general contractor, LECESSEE Construction Services, LLC in the amount of \$32,151,901. Included within the GMP amount is \$1,090,000 in construction manager fees as noted below in #8 as well as a contractor contingency of approximately \$597,000 (or 1.9 percent on construction costs). It should be noted that although Management has entered into a GMP contract, adjustments for allowances, change orders, or other circumstances not addressed in the GMP contract could result in the total construction costs exceeding the maximum prices that were established by the GMP contract. Also contained within the construction costs total is an owner’s project contingency of approximately \$2,229,000 (or 6.9% of construction costs).

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Sources and Uses of Funds (continued)**

- (6) Design and consulting costs of \$4,462,000 are forecasted based primarily on the contract with the architect and civil engineers. The architectural and civil engineering work for the Project will be completed by SWBR. (the “Architects”). Costs include architect, engineering, and design fees as well as construction administration, interior design fees, and other related costs.
- (7) Management has estimated \$3,439,000 for furniture, fixtures, and equipment for the Project.
- (8) Management has forecasted \$1,090,000 for construction manager fees. This fee is included in the GMP fee of \$31,151,901 noted above in note (5).
- (9) Management has forecasted \$343,000 for other project costs and fees, application fees, and forecasted fees to the New York State Department of Housing.
- (10) Management estimates \$7,284,000 will be the required deposit for the debt service reserve fund for the Series 2019 Bonds.
- (11) Management estimates funded interest in the amount of \$4,371,000, which represents 30 months of interest during the construction period of the Project for the portion of the borrowing associated with the Project.
- (12) Management has estimated the costs related to legal fees, accounting fees, and other costs associated with the issuance of the Series 2019 Bonds to be \$2,934,000.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The Obligated Group maintains its accounting and financial records using the accrual method of accounting.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited and investments. The Obligated Group maintains cash accounts, which at times, may exceed federally insured limits. The Obligated Group has not experienced any losses from maintaining cash accounts in excess of federally insured limits and has not forecasted any loss.

#### **Resident Accounts Receivable and Allowance for Doubtful Accounts**

Resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of resident accounts receivable, the Obligated Group analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision of bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third party coverage, the Obligated Group analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay residents (which includes both residents with insurance and residents with deductible and copayment balances due to which third-party coverage exists for part of the bill), the Obligated Group records a provision for bad debts when it appears that residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

#### **Other Accounts Receivable**

Other accounts receivable include receivables due from the captive practices of the Obligated Group as well as receivables due from contracts related to partnerships or collaborations. Management reviews the validity of the receivables on a regularly basis to test for reasonableness and compliance within contractual obligations

#### **Due (to) from third party payors**

Due (to) from third party payors includes amounts outstanding to/from Federal and/or State payors. The Obligated Group receives payments from Federal and State payors for reimbursement for services rendered. A large portion of the Obligated Group's revenue is received from the New York State Department of Health under the Medicaid reimbursement program, which often pays on a delayed schedule. Management reviews the amounts billed and paid amounts against contractual agreements, payments made and/or recouped, and adjusts the due to/from third party payors accordingly.

#### **Due (to) from Related Parties Receivable**

Various departmental expenses of the Obligated Group are allocated to its related parties in the ordinary course of business on a basis by which each related party utilizes the resources of the related party. The Home is the common paymaster for all expenses incurred by its related parties. When payment is made through the common paymaster, a transaction is recorded in the financial accounting system, and an entry is completed to create the due to/from related party. The amount of the due to/from related parties receivable is net of any payments made to the common paymaster.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Summary of Significant Accounting Policies (continued)**

#### **Investments and Investment Risk**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in other income unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Obligated Group's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the forecasted balance sheets are subject to various risks including changes in equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the forecasted financial statements could change materially in the near term. Management has not forecasted any unrealized gains/losses on investments during the Forecast Period.

#### **Entrance Fees**

Under entrance fee plans for independent living cottage units, residents have two entrance plan options: the Traditional Plan and the 90% Entrance Fee Option. The 90% Entrance Fee Option has a guaranteed refund component, which is 90% of the entrance fee paid, with the balance refundable on a decreasing basis for 10 months. The Traditional Plan has no guaranteed refund component and is refundable on a decreasing basis for 50 months.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable fees and deposits in the forecasted combined balance sheets. This is comprised of cash and cash equivalents and is used by management to refund deposits as necessary. The balance of entrance fees received is amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from entrance fees in the forecasted combined balance sheets.

#### **Assets Limited as to Use**

Certain net assets without donor restrictions have been segregated to be used for future purposes to be determined by the board. Board designated funds represent amounts segregated by the board to be used for specified projects and, generally, are not available for operations without board approval. In addition, assets limited as to use include entrance fees and resident security deposits, donor restricted funds, beneficial interest remainder trusts, beneficial interest in perpetual trusts, and assets to be held by a trustee under bond indenture agreements for the proposed Series 2019 Bonds.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost if purchased, or fair value if donated, less accumulated depreciation computed using the straight-line method over estimated useful lives as follows:

|                                     |            |
|-------------------------------------|------------|
| Land Improvements                   | 3-35 years |
| Buildings and building improvements | 3-40 years |
| Fixed equipment                     | 3-22 years |
| Moveable equipment                  | 3-25 years |

The Obligated Group's policy is to capitalize fixed asset purchases greater than \$100 with an estimated useful life greater than three years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Summary of Significant Accounting Policies (continued)**

acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Beneficial Interest in Remainder Trusts**

The Obligated Group is the beneficiary of several charitable remainder trusts administered by third parties. Under the charitable remainder trust arrangements, the donors established and funded the trusts and specified distributions to be made to designated beneficiaries over the terms of the trusts. Upon death of the beneficiaries, the Obligated Group will receive a fixed percentage of the assets remaining in the trust funds, as outlined in the trust agreements. The contributions received by the Obligated Group are the unconditional rights to receive the remainder interest of the trust funds and are equal to the difference between the cash or investments held in the trust funds and the present value of the estimated future payments to be distributed to the designated beneficiaries. In accordance with donor restrictions, these have been recorded as contribution revenue with donor restrictions. Subsequent changes in fair value are recorded as a change in value of beneficial interest remainder trusts in net assets with donor restrictions.

#### **Beneficial Interest in Perpetual Trusts**

The Obligated Group is the beneficiary of two perpetual trusts administered by third parties. Under the terms of the perpetual trust agreements the Obligated Group has recorded an asset and recognized contribution revenue with donor restrictions at the fair value of the Obligated Group's beneficial interest in the perpetual trust assets. Income earned on the trust assets and distributed to the Obligated Group is recorded as investment income in the accompanying forecasted combined statements of operations and changes in net assets because it has not been otherwise restricted by the donor. Subsequent changes in fair value are recorded as change in value of beneficial interest in perpetual trusts in net assets with donor restrictions.

#### **Interest in Net Asset of Foundation**

The Obligated Group has applied the authoritative guidance related to transfers of assets to a nonprofit organization that raises or holds contributions for others to the proceeds received by the Foundation related to fundraising activities. The guidance requires the Obligated Group to report in its forecasted financial statements its interest in the net assets held for its benefit by the Foundation and to adjust its interest in such net assets for changes therein. Management has not forecasted any change during the Forecast Period.

#### **Investments – Equity Method**

The Obligated Group holds a 6.87% membership interest in Pandion Sourcing National; a group purchasing service for healthcare organizations in New York State. The Obligated Group accounts for the investment using the equity method. Under this method, the carrying value of the investment is adjusted for the Obligated Group's share of earnings and dividends of the affiliate resulting in an investment balance which approximates the Obligated Group's underlying equity in the affiliate. Management has not forecasted any change during the Forecast Period.

#### **Long-Lived Assets**

The Obligated Group assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable by comparing the expected undiscounted future cash flows of the assets with the respective carrying amounts as of the date of assessment. Should aggregate expected future cash flows be less than the carrying value, an impairment would be recognized, measured as the difference between the carrying value and the fair value of the asset. Management has not forecasted any impairment on long-lived assets during the Forecast Period.

#### **Debt Issuance Costs**

Debt issuance costs, which represent the costs of obtaining certain financing, are being amortized on the straight-line method over the term of the debt which approximates the effective interest method. Debt issuance costs are

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Summary of Significant Accounting Policies (continued)**

shown netted with long-term debt on the forecasted combined balance sheets. Amortization is included as a component of interest expense on the forecasted combined statement of operations and changes in net assets.

#### **Deferred Revenue**

The Obligated Group receives grants to assist in carrying out its programs. Grants revenue is recognized as eligible expenses are incurred and the related services are provided. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of related costs being incurred and the related services provided are recorded as deferred revenue in the accompanying forecasted combined balance sheets.

#### **Derivative Financial Instruments**

The Obligated Group entered into interest rate swap agreements, which are considered derivative financial instruments, to manage the variable rate interest payments due on its long-term debt. The interest rate swap agreements are reported at fair value in the forecasted combined balance sheets and related changes in fair value are reported in the forecasted combined statements of operations and changes in net assets. Management has forecasted that the swap agreements are terminating in 2019.

#### **Resident Service Revenue Recognition**

Net resident service revenue is reported at the estimated net realizable amounts from residents, third party payors and others for services rendered and includes retroactive revenue adjustments due to changes in case mix and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. It is not possible to determine the extent of liability (or receivable) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

Management is in the process of evaluating the impact of adopting the Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), on the Obligated Group's financial statements and internal revenue recognition policies, which is effective as of January 1, 2019.

Under this new ASU, resident service revenue is reported at the amount that reflects the consideration to which the Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Obligated Group bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Obligated Group believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation

The Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Obligated Group's policy, and/or implicit price concessions provided to residents. The Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Summary of Significant Accounting Policies (continued)**

policy(ies), and historical experience. The Obligated Group determines its estimate of implicit price concessions based on its historical collection experience.

Management has assumed the majority of the Obligated Group's revenue recognition policies will be minimally impacted by the new standard, and as such management has not forecasted any changes related to the adoption of this ASU during the Forecast Period.

#### **Universal Settlement**

New York State (the "State") and "Residential Health Care Facilities" statewide have entered into a settlement agreement ("Universal Settlement") to resolve outstanding appeals and pending litigation for rate years prior to January 1, 2012 (the "Rate Period"). Significant terms of the settlement include:

- Facilities forfeit their right to appeal or litigate any rate matters during the Rate Period except for those that were specifically excluded;
- The Office of the Medicaid Inspector General has agreed to waive the right to audit the rates for the Rate Period.

As part of the Universal Settlement, the State established a pool of funds to be awarded to the facilities. The amount is expected to be paid in five installments and is subject to legislative approval on an annual basis. The Obligated Group was awarded \$2,754,127. Revenue related to the Universal Settlement is expected to be recognized as the cash basis is recovered. Management has forecasted receiving its final settlement payment of approximately \$550,000 in 2019 and this amount is included in net resident services revenue in the forecasted combined statement of operations and changes in net assets.

Also as part of the Universal Settlement, the State established a special appeals fund to be awarded to certain facilities that have pending rate appeals on matters that are included in the Universal Settlement, but for which the facility believes the value of the appeals exceeds the Universal Settlement payment they will receive.

#### **Donor Restricted Gifts**

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

#### **New York State Cash Receipts Assessment**

In April 2002, the State of New York approved a 6% assessment on nursing facilities' cash receipts, with the exception of Medicare cash receipts, to provide funding for workforce recruitment and retention awards authorized pursuant to Chapter 1 and subsequently amended by Chapter 82 of the Laws of 2002 (the "NYS Assessment"). Effective April 2011, 2012, and November 2012, the State of New York implemented changes on assessment for nursing facilities' cash receipts to 7.2%, 7.0% and 6.8%, respectively.

A significant portion of this assessment is reimbursed to the Obligated Group, at varying rates depending on payor, and is included in net resident service revenue. Total NYS Assessment expense for the Obligated Group are forecasted in the operating expenses of the forecasted combined statements of operations and changes in net assets.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Summary of Significant Accounting Policies (continued)**

#### **Use of Estimates**

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

#### **Income Taxes**

Members of the Obligated Group are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code or are disregarded entities (LLCs) of such nonprofit corporations and are exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying forecasted statements of operations and changes in net assets.



## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Revenue**

Revenue for the Obligated Group is primarily from monthly service fees for the Independent Living Units and daily fees from the Assisted Living Units, Memory Care Assisted Living Units, and Skilled Nursing Beds.

Revenue for the Independent Living Units, Assisted Living Units, and Memory Care Assisted Living Units is based on the monthly service fees or daily fees assumed by Management to be charged to the residents and the assumed utilization of these units.

Healthcare revenues consist of income generated from services provided to residents transferring from the Independent Living Units, Assisted Living Units, and Memory Care Assisted Living Units, and those services provided to direct admission residents. Management has forecasted resident service revenue based upon its historical operating experience, current economic conditions, regulatory rate adjustments and assumed acuity and inflationary increases, as well as its plans for operating during the Forecast Period. Unanticipated events and circumstances will impact the actual rate increases; therefore, the operating results achieved over the Forecast Period will vary from the Financial Forecast and the variations may be material.

### **Forecasted Occupancy Levels**

Forecasted occupancy for the Obligated Group's Independent Living Units, Assisted Living Units, Memory Care Assisted Living Units, and Skilled Nursing Beds is based upon the historical experience of Management, giving consideration to current economic conditions and expectations of ongoing success in its marketing activities.

The following table presents the forecasted occupancy for Chapel Oaks:

**Table 4**  
**Chapel Oaks**  
**Forecasted Occupancy**

|                               | Year ending December 31, |       |       |       |
|-------------------------------|--------------------------|-------|-------|-------|
|                               | 2019                     | 2020  | 2021  | 2022  |
| Available Units               |                          |       |       |       |
| Independent Living Apartments | 120                      | 120   | 120   | 120   |
| Average Occupied Units        |                          |       |       |       |
| Independent Living Apartments | 108                      | 110   | 110   | 110   |
| Average Occupancy             |                          |       |       |       |
| Independent Living Apartments | 90.0%                    | 91.7% | 91.7% | 91.7% |

Source: Management

***Summary of Significant Forecast Assumptions and Accounting Policies***

**Management's Basis for Forecast of Revenue (continued)**

The following table presents the forecasted occupancy for Cherry Ridge:

**Table 5**  
**Cherry Ridge**  
**Forecasted Occupancy**

|  | Year ending December 31, |       |       |       |
|--|--------------------------|-------|-------|-------|
|  | 2019                     | 2020  | 2021  | 2022  |
| Available Units                            |                          |       |       |       |
| Independent Living Apartments              | 71                       | 71    | 71    | 71    |
| Independent Living Cottages <sup>(1)</sup> | 55                       | 55    | 55    | 55    |
| Assisted Living Units                      | 51                       | 51    | 51    | 51    |
| Memory Care Assisted Living Units          | 24                       | 24    | 24    | 24    |
| Total Available Units                      | 201                      | 201   | 201   | 201   |
| Average Occupied Units                     |                          |       |       |       |
| Independent Living Apartments              | 69                       | 69    | 69    | 69    |
| Independent Living Cottages                | 51                       | 51    | 51    | 51    |
| Assisted Living Units                      | 48                       | 48    | 48    | 48    |
| Memory Care Assisted Living Units          | 22                       | 22    | 22    | 22    |
| Total Occupied Units                       | 190                      | 190   | 190   | 190   |
| Average Occupancy                          |                          |       |       |       |
| Independent Living Apartments              | 97.2%                    | 97.2% | 97.2% | 97.2% |
| Independent Living Cottages                | 92.7%                    | 92.7% | 92.7% | 92.7% |
| Assisted Living Units                      | 94.1%                    | 94.1% | 94.1% | 94.1% |
| Memory Care Assisted Living Units          | 91.7%                    | 91.7% | 91.7% | 91.7% |
| Total Average Occupancy                    | 94.5%                    | 94.5% | 94.5% | 94.5% |

Source: Management

Notes: (1) As of the date of the Forecast, Management has one of the cottages off-line as a model unit for marketing purposes; however, at any point, this cottage could be considered available for rent and as such, the table presents 55 available Independent Living Cottages.

**Summary of Significant Forecast Assumptions and Accounting Policies**

**Management's Basis for Forecast of Revenue (continued)**

The following table summarizes the forecasted occupancy of the St. Ann's Home Skilled Nursing Beds:

**Table 6**  
**Skilled Nursing Beds – St. Ann's Home**  
**Forecasted Occupancy**

|                         | Year ending December 31, |       |       |       |
|-------------------------|--------------------------|-------|-------|-------|
|                         | 2019                     | 2020  | 2021  | 2022  |
| Available Units         |                          |       |       |       |
| Long-Term Care          | 358                      | 326   | 294   | 294   |
| Transitional Care       | 34                       | 34    | 34    | 34    |
| Special Care            | 36                       | 36    | 36    | 36    |
| Hospice                 | 10                       | 10    | 10    | 10    |
| Total Available Units   | 438                      | 406   | 374   | 374   |
| Average Occupied Units  |                          |       |       |       |
| Long-Term Care          | 301                      | 229   | 256   | 285   |
| Transitional Care       | 32                       | 33    | 33    | 33    |
| Special Care            | 35                       | 35    | 35    | 35    |
| Hospice                 | 9                        | 9     | 9     | 9     |
| Total Occupied Units    | 377                      | 306   | 333   | 362   |
| Average Occupancy       |                          |       |       |       |
| Long-Term Care          | 84.1%                    | 70.2% | 87.1% | 96.9% |
| Transitional Care       | 94.1%                    | 97.1% | 97.1% | 97.1% |
| Special Care            | 97.2%                    | 97.2% | 97.2% | 97.2% |
| Hospice                 | 90.0%                    | 90.0% | 90.0% | 90.0% |
| Total Average Occupancy | 86.1%                    | 75.4% | 89.0% | 96.8% |

Source: Management

The following table summarizes the forecasted occupancy of the St. Ann's Care Center Skilled Nursing Beds:

**Table 7**  
**Skilled Nursing Beds – St. Ann's Care Center**  
**Forecasted Occupancy**

|                        | Year ending December 31, |       |       |       |
|------------------------|--------------------------|-------|-------|-------|
|                        | 2019                     | 2020  | 2021  | 2022  |
| Available Units        |                          |       |       |       |
| Long-Term Care         | 72                       | 72    | 72    | 72    |
| Average Occupied Units |                          |       |       |       |
| Long-Term Care         | 70                       | 70    | 70    | 70    |
| Average Occupancy      |                          |       |       |       |
| Long-Term Care         | 97.2%                    | 97.2% | 97.2% | 97.2% |

Source: Management

**See accompanying Independent Accountants' Report**

**Summary of Significant Forecast Assumptions and Accounting Policies**

**Management's Basis for Forecast of Revenue (continued)**

The following table summarizes the forecasted payor mix for the Skilled Nursing Beds:

**Table 8**  
**St. Ann's Home**  
**Long-Term Care - Skilled Nursing Beds**  
**Resident Days Mix by Payor Type**

| For the forecasted year ending December 31, | 2019                    |                | 2020                    |                | 2021                    |                | 2022                    |                |
|---|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
|   | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix |
| Private / Managed Care                      | 14,611                  | 13.3%          | 12,515                  | 15.0%          | 14,255                  | 15.3%          | 16,609                  | 16.0%          |
| Medicare                                    | 1,099                   | 1.0%           | 835                     | 1.0%           | 934                     | 1.0%           | 1,039                   | 1.0%           |
| Medicaid                                    | 94,154                  | 85.7%          | 70,235                  | 84.0%          | 78,252                  | 83.7%          | 86,224                  | 83.0%          |
| Total                                       | 109,864                 | 100.0%         | 83,585                  | 100.0%         | 93,441                  | 100.0%         | 103,872                 | 100.0%         |

Source: Management

**Table 9**  
**St. Ann's Home**  
**Transitional Care Unit - Skilled Nursing Beds**  
**Resident Days Mix by Payor Type**

| For the forecasted year ending December 31, | 2019                    |                | 2020                    |                | 2021                    |                | 2022                    |                |
|---|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
|   | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix |
| Private / Managed Care                      | 6,731                   | 57.8%          | 6,961                   | 57.8%          | 6,961                   | 57.8%          | 6,961                   | 57.8%          |
| Medicare                                    | 4,751                   | 40.8%          | 4,914                   | 40.8%          | 4,914                   | 40.8%          | 4,914                   | 40.8%          |
| Medicaid                                    | 163                     | 1.4%           | 168                     | 1.4%           | 168                     | 1.4%           | 168                     | 1.4%           |
| Total                                       | 11,645                  | 100.0%         | 12,043                  | 100.0%         | 12,043                  | 100.0%         | 12,043                  | 100.0%         |

Source: Management

**Table 10**  
**St. Ann's Home**  
**Special Care Unit - Skilled Nursing Beds**  
**Resident Days Mix by Payor Type**

| For the forecasted year ending December 31, | 2019                    |                | 2020                    |                | 2021                    |                | 2022                    |                |
|---|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
|   | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix |
| Private / Managed Care                      | 991                     | 7.8%           | 991                     | 7.8%           | 991                     | 7.8%           | 991                     | 7.8%           |
| Medicare                                    | 89                      | 0.7%           | 89                      | 0.7%           | 89                      | 0.7%           | 89                      | 0.7%           |
| Medicaid                                    | 11,622                  | 91.5%          | 11,622                  | 91.5%          | 11,622                  | 91.5%          | 11,622                  | 91.5%          |
| Total                                       | 12,702                  | 100.0%         | 12,702                  | 100.0%         | 12,702                  | 100.0%         | 12,702                  | 100.0%         |

Source: Management

**Summary of Significant Forecast Assumptions and Accounting Policies**

**Management's Basis for Forecast of Revenue (continued)**

**Table 11**  
**St. Ann's Home**  
**Leo Center for Caring Hospice - Skilled Nursing Beds**  
**Resident Days Mix by Payor Type**

| For the forecasted year ending December 31, | 2019                    |                | 2020                    |                | 2021                    |                | 2022                    |                |
|---|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
|   | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix |
| Private / Managed Care                      | 1,945                   | 62.7%          | 1,945                   | 62.7%          | 1,945                   | 62.7%          | 1,945                   | 62.7%          |
| Medicare                                    | 6                       | 0.2%           | 6                       | 0.2%           | 6                       | 0.2%           | 6                       | 0.2%           |
| Medicaid                                    | 1,151                   | 37.1%          | 1,151                   | 37.1%          | 1,151                   | 37.1%          | 1,151                   | 37.1%          |
| Total                                       | 3,102                   | 100.0%         | 3,102                   | 100.0%         | 3,102                   | 100.0%         | 3,102                   | 100.0%         |

Source: Management

**Table 12**  
**St. Ann's Care Center**  
**Skilled Nursing Beds**  
**Resident Days Mix by Payor Type**

| For the forecasted year ending December 31, | 2019                    |                | 2020                    |                | 2021                    |                | 2022                    |                |
|---|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
|   | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix | Number of Resident Days | Percentage Mix |
| Private / Managed Care                      | 14,742                  | 57.7%          | 14,742                  | 57.7%          | 14,742                  | 57.7%          | 14,742                  | 57.7%          |
| Medicare                                    | 332                     | 1.3%           | 332                     | 1.3%           | 332                     | 1.3%           | 332                     | 1.3%           |
| Medicaid                                    | 10,475                  | 41.0%          | 10,475                  | 41.0%          | 10,475                  | 41.0%          | 10,475                  | 41.0%          |
| Total                                       | 25,549                  | 100.0%         | 25,549                  | 100.0%         | 25,549                  | 100.0%         | 25,549                  | 100.0%         |

Source: Management

***Summary of Significant Forecast Assumptions and Accounting Policies***

**Management's Basis for Forecast of Revenue (continued)**

**Forecasted Fees**

The following table summarizes the type, number, entrance fees and monthly service fees for the Independent Living Units:

**Table 13  
Independent Living Units – Type, Number, Entrance Fees, and Monthly Service Fees (2019 Pricing)**

| <b>Description</b>                     | <b>Number of Units</b> | <b>Entrance Fee</b> | <b>Monthly Service Fee</b> |
|--|------------------------|---------------------|----------------------------|
| <i>Independent Living</i>              |                        |                     |                            |
| Cherry Ridge - Cottages <sup>(1)</sup> |                        |                     |                            |
| Grove Lease                            |                        |                     |                            |
| 90% Entrance Fee Option A              | 17                     | \$170,959           | \$3,570                    |
| 90% Entrance Fee Option B              |                        | \$208,081           | \$3,049                    |
| Traditional Plan A                     |                        | \$113,547           | \$2,945                    |
| Traditional Plan B                     |                        | \$138,932           | \$2,549                    |
| Grove with Den Lease                   |                        |                     |                            |
| 90% Entrance Fee Option A              | 26                     | \$209,203           | \$4,058                    |
| 90% Entrance Fee Option B              |                        | \$256,444           | \$3,510                    |
| Traditional Plan A                     |                        | \$140,003           | \$3,430                    |
| Traditional Plan B                     |                        | \$170,965           | \$2,932                    |
| Orchard Lease                          |                        |                     |                            |
| 90% Entrance Fee Option A              | 12                     | \$158,002           | \$3,458                    |
| 90% Entrance Fee Option B              |                        | \$192,919           | \$2,957                    |
| Traditional Plan A                     |                        | \$101,121           | \$2,835                    |
| Traditional Plan B                     |                        | \$123,615           | \$2,425                    |
| Cherry Ridge - Apartments              |                        |                     |                            |
| Classic Two Bedroom                    | 18                     | N/A                 | \$2,907                    |
| Custom Two Bedroom                     | 8                      | N/A                 | \$2,907                    |
| Custom with Den                        | 6                      | N/A                 | \$2,675                    |
| Deluxe with Den                        | 13                     | N/A                 | \$2,755                    |
| Special                                | 14                     | N/A                 | \$1,810                    |
| Traditional                            | 6                      | N/A                 | \$1,632                    |
| Traditional with Den                   | 6                      | N/A                 | \$2,525                    |
| Chapel Oaks - Apartments               |                        |                     |                            |
| Classic Two Bedroom                    | 14                     | N/A                 | \$3,870                    |
| Custom Two Bedroom                     | 12                     | N/A                 | \$3,935                    |
| Deluxe with Den                        | 12                     | N/A                 | \$3,595                    |
| Special                                | 40                     | N/A                 | \$3,050                    |
| Traditional                            | 24                     | N/A                 | \$2,580                    |
| Traditional with Den                   | 18                     | N/A                 | \$3,595                    |
| <b>Total</b>                           | <b>246</b>             |                     |                            |

Source: Management

Notes:

(1) In either entrance fee plan, there are two financing options. Option A offers a lower entrance fee with higher monthly service fee. Option B offers a higher entrance fee with a lower monthly service fee. There are three cottage styles that residents can choose from, and entrance fees range based on cottage style.

***Summary of Significant Forecast Assumptions and Accounting Policies***

**Management's Basis for Forecast of Revenue (continued)**

The following table summarizes the unit types, number, and daily fees for the Assisted Living Units and Memory Care Assisted Living Units:

**Table 14**  
**Assisted Living Units and Memory Care Assisted Living Units**  
**Type, Number, and Daily Fees (2019 Pricing)**

| <b>Description</b>                                 | <b>Number of Units</b> | <b>Entrance Fee</b> | <b>Daily Fee</b> |
|--|------------------------|---------------------|------------------|
| <i>Assisted Living</i>                             |                        |                     |                  |
| The Glen   |                        |                     |                  |
| Aspen (Studio)                                     | 3                      | N/A                 | \$177            |
| Magnolia (Studio)                                  | 6                      | N/A                 | \$172            |
| Maple (1 Bedroom)                                  | 33                     | N/A                 | \$182            |
| Oak (1 Bedroom)                                    | 6                      | N/A                 | \$188            |
| Oak with Den (1 Bedroom)                           | 3                      | N/A                 | \$202            |
| Rainier Grove                                      |                        |                     |                  |
| Birch, Cypress (ADA Studio)                        | 4                      | N/A                 | \$206            |
| Chestnut, Hawthorn, Hickory (A-1 Studio)           | 20                     | N/A                 | \$201            |
| Total / Weighted Average                           | 75                     |                     | \$189            |
| <i>Second Person - Assisted Living/Memory Care</i> |                        |                     |                  |
| Regular  |                        |                     | \$50             |
| Enhanced   |                        |                     | \$80             |
| Memory Care  |                        |                     | \$55             |

Source: Management

Notes: The pricing noted above for daily fees is basic pricing.

The following table summarizes the number of units by level of service and the average net daily fees for the Skilled Nursing Beds:

**Table 15**  
**Skilled Nursing Beds**  
**Type, Number, and Net Daily Fees (2019 Pricing)**

| <b>Description</b>       | <b>Number of Units</b> | <b>Net Daily Fee <sup>(1)</sup></b> |
|--------------------------|------------------------|-------------------------------------|
| <i>Skilled Nursing</i>   |                        |                                     |
| St. Ann's Nursing Home   |                        |                                     |
| Long-Term Care           | 358                    | \$491                               |
| Transitional Care        | 34                     | \$645                               |
| Special Care             | 36                     | \$550                               |
| Hospice                  | 10                     | \$550                               |
| Total / Weighted Average | 438                    | \$509                               |
| Medicare                 |                        | \$506                               |
| Medicaid                 |                        | \$253                               |
| St. Ann's Nursing Home   |                        |                                     |
| Long-Term Care           | 72                     | \$495                               |
| Medicare                 |                        | \$206                               |
| Medicaid                 |                        | \$261                               |

Source: Management

Notes: (1) The average net daily fees presented net of contractual allowances.

**Summary of Significant Forecast Assumptions and Accounting Policies**

**Management’s Basis for Forecast of Revenue (continued)**

The following table reflects Management’s plan for the renovation of the six long-term care floors at the Home.

**Table 16**  
**St. Ann’s Nursing Home Project Construction Timeline (1)(2)**

| Project Floor             | 2019 |     |     |     | 2020 |     |     |    | 2021 |     |     |     |
|---------------------------|------|-----|-----|-----|------|-----|-----|----|------|-----|-----|-----|
|                           | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4 | Q1   | Q2  | Q3  | Q4  |
| Floor 8                   | 12   | -   | -   | -   | -    | 29  | 29  | 29 | 29   | 29  | 29  | 29  |
| Floor 7                   | 38   | 17  | 1   | -   | -    | -   | 29  | 29 | 29   | 29  | 29  | 29  |
| Floor 6                   | 46   | 44  | 45  | 36  | 11   | -   | -   | 29 | 29   | 29  | 29  | 29  |
| Floor 5                   | 44   | 45  | 45  | 46  | 36   | 11  | -   | -  | 29   | 29  | 29  | 29  |
| Floor 4                   | 45   | 45  | 45  | 46  | 46   | 36  | 11  | -  | -    | 29  | 29  | 29  |
| Floor 3                   | 44   | 43  | 45  | 46  | 46   | 46  | 36  | 11 | -    | -   | -   | 20  |
| Total Avg. Units Occupied | 229  | 194 | 181 | 174 | 139  | 122 | 105 | 98 | 116  | 145 | 145 | 165 |

Source: Management

Notes:

- (1) Yellow indicates attrition period leading up to construction. Red indicates period in which all beds for the floor are off-line for construction. Green indicates beds on the floor are on-line.
- (2) The above table only includes the Project floors. See **Table 6** for overall long-term care occupancy of St. Ann’s Home Skilled Nursing Beds.

The following table reflects forecasted rate increases. Increases in fees are generally anticipated to approximate increases in operating expenses during the Forecast Period. However, fee increases may be adjusted to reflect actual changes in expenses which could be higher than forecasted. Entrance fees are continuously reviewed and adjusted as necessary to align with market demands.

**Table 17**  
**Forecasted Entrance Fee, Monthly Fee, and Daily Fees Annual Inflation**

| Unit Type  | 2019 | 2020  | 2021  | 2022  |
|--|------|-------|-------|-------|
| Independent Living Units - Monthly Service Fees  | N/A  | 2.50% | 2.50% | 2.50% |
| Independent Living Units - Entrance Fees         | N/A  | 0.00% | 0.00% | 0.00% |
| Assisted Living Units - Daily Fees               | N/A  | 2.00% | 2.00% | 2.00% |
| Memory Care Assisted Living Units - Daily Fees   | N/A  | 2.00% | 2.00% | 2.00% |
| Skilled Nursing Beds - Private                   | N/A  | 3.00% | 3.00% | 3.00% |
| Skilled Nursing Beds - Medicaid                  | N/A  | 2.25% | 2.25% | 2.25% |
| Skilled Nursing Beds - Medicare                  | N/A  | 1.00% | 1.00% | 1.00% |
| Skilled Nursing Beds - Managed Care / Commercial | N/A  | 2.25% | 2.25% | 2.25% |

Source: Management



## **Summary of Significant Forecast Assumptions and Accounting Policies**

### **Management's Basis for Forecast of Revenue (continued)**

#### **Entrance Fee Receipts**

Entrance fee receipts and refunds are based on information provided by Management based on historical experience, as well as Management's assumptions relating to occupancy during the Forecast Period. The following table reflects entrance fees received and refunds paid during the Forecast Period for the Obligated Group, as forecasted by Management based on historical information.

**Table 18**  
**Forecasted Entrance Fee and Deposit Receipts, Net of Refunds**

|  | 2019   | 2020   | 2021   | 2022   |
|--|--------|--------|--------|--------|
| Entrance Fees Received from Unit Turnover    | \$ 369 | \$ 369 | \$ 369 | \$ 369 |
| Entrance Fees Refunded from Unit Turnover    | (330)  | (312)  | (294)  | (276)  |
| Total Entrance Fees Received, Net of Refunds | \$ 39  | \$ 57  | \$ 75  | \$ 93  |

Source: Management

#### **Other Revenue**

Forecasted other revenue primarily consists of additional revenues from the wound care and other programs, dining services, and other miscellaneous programs. These revenues are forecasted by Management to increase by an average of 3.0 percent annually throughout the Forecast Period.

#### **Investment Income**

Investment income consists of interest earnings on cash, cash equivalents, investments, and assets limited as to use, as provided by Management. The following table reflects Management's assumed realized investment earning rates during the Forecast Period.

**Table 19**  
**Investment Income Earnings Rates**

|                           | 2019 | 2020  | 2021  | 2022  |
|---------------------------|------|-------|-------|-------|
| Cash and Cash Equivalents | N/A  | 0.25% | 0.25% | 0.25% |
| Investments               | N/A  | 3.00% | 3.00% | 3.00% |
| Assets Limited as to Use  | N/A  | 3.00% | 3.00% | 3.00% |

Source: Management

#### **Contributions from Related Party**

Forecasted contributions from related party consists of contributions forecasted to be received by the Obligated Group from the Foundation during the Forecast Period associated with operational support, donor support, and debt service support on the new money.

In connection with the issuance of the Series 2019 Bonds, the Foundation will enter into a Limited Support Agreement (the "Limited Support Agreement") with the Obligated Group representative, the Obligated Group and the Master Trustee. Pursuant to the Limited Support Agreement, the Foundation has agreed to provide up to \$20,000,000 of support (as such amount shall be reduced from time to time in accordance with the Limited Support Agreement) (the "Commitment") to the Obligated Group for the following purposes: (i) prior to the date when the Project is complete, if no monies are on deposit in the Project Fund, as subsequently defined, under the "Indenture"

**See accompanying Independent Accountants' Report**

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Revenue (continued)**

(other than any amounts on deposit therein that have been previously committed to pay Project costs), the Obligated Group representative may make written demand for payment of funds required to complete the Project in accordance with the "Loan Agreement" by directing the Foundation to transfer cash to the Trustee for deposit in the Project Fund under the Indenture, or (ii) if at any time the Obligated Group needs money for payment of working capital expenses, capital costs other than Project costs or operating expenses, and no monies are otherwise available to the Obligated Group at that time to pay such amounts, the Obligated Group representative may make written demand for payment directing the Foundation to transfer cash to the Obligated Group.

The following table provides a summary of all support provided by the Foundation during the Forecast Period, including forecasted support pursuant to the LSA:

**Table 20**  
**Support from the Foundation**

|   | <b>2019</b>     | <b>2020</b>     | <b>2021</b>     | <b>2022</b>     |
|---|-----------------|-----------------|-----------------|-----------------|
| Routine Support from the Foundation                                   |                 |                 |                 |                 |
| Foundation Operating Support  | \$ 238          | \$ 241          | \$ 244          | \$ 247          |
| Contributions from Related Party - Direct Support, Net                | 1,743           | 1,687           | 1,734           | 1,819           |
| Contributions from Related Party - On Behalf of Donors                | 500             | 500             | 500             | 500             |
| Total Routine Support from the Foundation                             | 2,481           | 2,428           | 2,478           | 2,566           |
| Contributions Pursuant to the Limited Support Agreement               |                 |                 |                 |                 |
| Equity Contribution from Foundation upon closing of Series 2019 Bonds | 4,520           | -               | -               | -               |
| Debt Service Support - Series 2019 Bonds - New Money                  | -               | -               | -               | 1,221           |
| Total Support Pursuant to the Limited Support Agreement               | 4,520           | -               | -               | 1,221           |
| Total Support from Foundation   | <u>\$ 7,001</u> | <u>\$ 2,428</u> | <u>\$ 2,478</u> | <u>\$ 3,787</u> |

Source: Management

## Summary of Significant Forecast Assumptions and Accounting Policies

### Management's Basis for Forecast of Expenses

#### Operating Expenses

Operating expenses have been forecasted to be recognized during the month incurred. Management has forecasted operating expenses based primarily upon its historical experience operating the Obligated Group, adjusted primarily for inflation and to give effect to the utilization impact of the Project.

Operating expenses are forecasted to increase at the inflation set forth below annually throughout the Forecast Period (exclusive of changes related to the Project's units).

**Table 21**  
**Forecasted Expense Inflation**

|                    | 2019 <sup>(1)</sup> | 2020  | 2021  | 2022  |
|--------------------|---------------------|-------|-------|-------|
| Salary Expense     | N/A                 | 2.50% | 2.50% | 2.50% |
| Benefits Expense   | N/A                 | 3.00% | 3.00% | 3.00% |
| Non-Salary Expense | N/A                 | 3.00% | 3.00% | 3.00% |

Source: Management

Notes:

(1) 2019 operating expenses are based on Management's 2019 budget.

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

#### Salaries, Wages and Employee Benefits

Management has forecasted salaries and wages based upon its historical operating experience and expectations for servicing the Obligated Group, in light of the planned 86-bed reduction at the Home.

A full-time equivalent employee ("FTE") is assumed to represent 2,080 hours of time paid annually. The following table presents a summary of forecasted FTEs and average hourly wage rates, by department, for the years ending December 31, 2019 through 2022, inclusive of the Project.

**Table 22**  
**Full-Time Equivalent Staffing and Average Hourly Wage by Department**

| For the forecasted year ending December 31, | 2019  |                  | 2020  |                  | 2021  |                  | 2022  |                  |
|---|-------|------------------|-------|------------------|-------|------------------|-------|------------------|
|   | FTEs  | Avg. Hourly Wage | FTEs  | Avg. Hourly Wage | FTEs  | Avg. Hourly Wage | FTEs  | Avg. Hourly Wage |
| Resident Care Services                      | 598.6 | \$ 23.08         | 566.0 | \$ 23.34         | 558.5 | \$ 23.46         | 568.0 | \$ 23.72         |
| Administrative Services                     | 87.6  | \$ 35.30         | 86.5  | \$ 36.09         | 82.8  | \$ 37.30         | 81.8  | \$ 38.30         |
| Dining Services                             | 105.6 | \$ 15.43         | 105.0 | \$ 15.48         | 99.2  | \$ 15.68         | 71.9  | \$ 16.39         |
| Plant Operation Services                    | 31.1  | \$ 22.17         | 31.1  | \$ 22.17         | 31.1  | \$ 22.72         | 31.1  | \$ 23.29         |
| Housekeeping & Laundry Services             | 62.7  | \$ 14.50         | 58.0  | \$ 14.40         | 55.5  | \$ 14.78         | 51.0  | \$ 15.18         |
| Marketing and Communication Services        | 7.4   | \$ 35.55         | 7.4   | \$ 36.29         | 7.4   | \$ 37.19         | 7.4   | \$ 38.12         |
| Total / Weighted Average                    | 893.0 | \$ 22.84         | 854.0 | \$ 23.13         | 834.5 | \$ 23.43         | 811.2 | \$ 24.12         |

Source: Management

Employee benefits and payroll taxes are assumed to include FICA, unemployment taxes, workers' compensation, health insurance, and other miscellaneous benefits. These employee benefits and payroll taxes are forecasted by Management at approximately 23.6 percent of wages throughout the Forecast Period. Also included in each respective fiscal year's benefit expense on the forecasted combined statements of operations and changes in net assets is the net periodic benefit cost amount as noted in Table 24 hereinafter.

**See accompanying Independent Accountants' Report**

## **Summary of Significant Forecast Assumptions and Accounting Policies**

### **Management's Basis for Forecast of Expenses (continued)**

#### **Non-Salary Related Operating Expenses**

##### **Resident Care Services**

Non-salary related costs of resident care services include Management's estimate of the costs of operating the Independent Living Units, Assisted Living Units, Assisted Living Memory Care Units, and the Skilled Nursing Beds as well as other resident care services such as adult day services, therapies, pharmacy, activities, transportation, wellness, security, and other care coordination. These non-salary costs include costs for drugs, supplies, equipment rental and repairs, contracted services and other miscellaneous costs incurred in the provision of resident care services and have been forecasted based on the historical operating experience of Management. Resident care services are forecasted to vary with changes in inflation, occupancies, and effects of the Project.

##### **Administrative Services**

Non-salary related costs of administrative services are forecasted to include Management's estimate of the costs for professional fees, insurance, supplies and other miscellaneous costs. Administrative services have been forecasted based on the historical operating experience of Management and are forecasted to vary with changes in inflation, occupancies, and effects of the Project.

##### **Dining Services**

Non-salary related costs of dining services are forecasted to include Management's estimate of the costs for raw food and dietary supplies and other such costs and are based on the historical operating experience of Management and are forecasted to vary with inflation, occupancies, and effects of the Project.

##### **Plant Operation Services**

Non-salary related costs of plant operation services include Management's estimate of the costs for electricity, water, sewer, gas, sanitation, service contracts, repairs, general maintenance, and operating supplies. Plant operation services have been forecasted based on the historical operating experience of Management and are forecasted to vary with changes in inflation, occupancies, and effects of the Project.

##### **Housekeeping and Laundry Services**

Non-salary related costs of housekeeping and laundry services include costs of supplies, chemicals, and other miscellaneous costs associated with providing housekeeping and laundry services to residents. Housekeeping and laundry services have been forecasted based on the historical operating experience of Management and are forecasted to vary with changes in inflation, occupancies, and effects of the Project.

##### **Marketing and Communication Services**

Non-salary related costs of marketing and communication services include Management's estimate of costs for advertising, print and online materials, website, contract services, professional fees and other miscellaneous costs. Management assumes these costs would vary and change as a result of the Project.

##### **New York State Assessment**

The state of New York has implemented a nursing home bed fee to provide for additional income to facilities with a large Medicaid census. Management has assumed its imposed healthcare provider tax to approximate 8.0% of nursing revenues, except for Medicare Part A, during the Forecast Period.

##### **Interest**

Interest expense is assumed to be related to the debt service requirements and the amortization of the deferred financing costs of the Series 2019 Bonds and other existing long-term indebtedness. Management plans to capitalize the Project related interest expense during the construction period of the Project.

## Summary of Significant Forecast Assumptions and Accounting Policies

### Management's Basis for Forecast of Expenses (continued)

#### Depreciation

Property, plant, and equipment are forecasted to be depreciated over their estimated useful lives using the straight line method.

#### Pension and Retirement Plan

The Home sponsors a defined benefit pension plan (the "Plan") for its employees and of the Home's related parties employed as of December 31, 2012. Benefits under the Plan are generally based on years of service and compensation. The Home's funding policy is to contribute annually at least the minimum amounts required under the Employee Retirement Income Security Act of 1974. Effective December 31, 2012, the Home froze the Plan by ceasing benefit accruals and new participant eligibility.

Congress has through time legislated pension funding relief. Current pension relief sunsets by 2022 and as a result, Management has reflected greater employer contributions beginning in 2022. It is important to note that future legislation may continue to grant funding relief and could cause contributions to be lower than forecasted. Furthermore, changes in asset returns, discount rates or other factors could cause material fluctuations to the various forecasted Plan components.

The following is a reconciliation of the beginning and ending balances of the forecasted benefit obligation and forecasted plan assets and the accumulated benefit obligation at December 31 of each of the fiscal years in the Forecast Period as provided by the Obligated Group's actuary.

**Table 23**  
**Forecasted Pension and Retirement Plan**  
**Forecasted Plan Status**

|  | 2019        | 2020        | 2021        | 2022        |
|--|-------------|-------------|-------------|-------------|
| <b>Change in Benefit Obligation</b>    |             |             |             |             |
| Beginning of Year                      | \$ 75,163   | \$ 85,128   | \$ 84,059   | \$ 82,833   |
| Interest Cost                          | 3,106       | 2,702       | 2,666       | 2,625       |
| Service Cost                           | -           | -           | -           | -           |
| Change in Discount Rate Assumption     | 10,366      | -           | -           | -           |
| Actuarial (Gain) or Loss               | 166         | -           | -           | -           |
| Benefits Paid                          | (3,673)     | (3,771)     | (3,892)     | (3,946)     |
| End of Year                            | \$ 85,128   | \$ 84,059   | \$ 82,833   | \$ 81,512   |
| <b>Change in Plan Assets</b>           |             |             |             |             |
| Value at Beginning of Year             | \$ 53,001   | \$ 54,729   | \$ 56,198   | \$ 57,335   |
| Return on Plan Assets, Net of Expenses | 3,622       | 3,744       | 3,828       | 3,966       |
| Employer Contributions                 | 2,660       | 2,272       | 2,000       | 4,354       |
| Benefits Paid                          | (3,673)     | (3,771)     | (3,892)     | (3,946)     |
| Administrative Expenses                | (881)       | (776)       | (799)       | (823)       |
| Value at End of Year                   | \$ 54,729   | \$ 56,198   | \$ 57,335   | \$ 60,886   |
| Funded Status                          | \$ (30,399) | \$ (27,861) | \$ (25,498) | \$ (20,626) |

Source: Management and the Actuary

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Expenses (continued)**

The following table is the forecasted net periodic pension costs and forecasted other changes in Plan assets and benefit obligation recognized in operating expenses or other changes to net assets during the Forecast Period, as comprised of the following:

**Table 24**  
**Forecasted Pension and Retirement Plan**

|   | <b>2019</b>     | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       |
|---|-----------------|-------------------|-------------------|-------------------|
| <b>Components of Net Periodic Benefit Costs</b>             |                 |                   |                   |                   |
| Service Cost  | \$ 881          | \$ 776            | \$ 799            | \$ 823            |
| Interest Cost   | 3,106           | 2,702             | 2,666             | 2,625             |
| Expected Return on Plan Assets                              | (3,622)         | (3,744)           | (3,828)           | (3,966)           |
| Amortization of Net (Gain) or Loss                          | 1,737           | 2,865             | 2,408             | 2,078             |
| <b>Net Periodic Benefit Costs</b>                           | <b>\$ 2,102</b> | <b>\$ 2,599</b>   | <b>\$ 2,045</b>   | <b>\$ 1,560</b>   |
| <b>Other Changes in Plan Assets and Benefit Obligations</b> |                 |                   |                   |                   |
| <b>Recognized in Other Changes to Net Assets</b>            |                 |                   |                   |                   |
| Net (Gain) or Loss  | \$ 10,532       | \$ -              | \$ -              | \$ -              |
| Amortization of Net Gain or (Loss)                          | (1,737)         | (2,865)           | (2,408)           | (2,078)           |
| <b>Total Recognized in Other Changes to Net Assets</b>      | <b>\$ 8,795</b> | <b>\$ (2,865)</b> | <b>\$ (2,408)</b> | <b>\$ (2,078)</b> |

Source: Management and the Actuary

The weighted-average assumptions used to determine benefit obligations, as assumed by Management, are as follows, noting that in 2019 the discount rate used to value the obligations declined from 4.24 percent to 3.25 percent as noted below:

**Table 25**  
**Pension Forecast Rate Assumptions**

|                                    | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|------------------------------------|-------------|-------------|-------------|-------------|
| Discount Rate - Benefit Obligation | 3.25%       | 3.25%       | 3.25%       | 3.25%       |
| Expected Return on Plan Assets     | 7.00%       | 7.00%       | 7.00%       | 7.00%       |

Source: Management

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Management's Basis for Forecast of Other Items**

#### **Current Assets and Current Liabilities**

##### Cash

Cash balances for the Forecast Period are based on the results of the forecasted combined statements of cash flows. For purposes of presentation, cash balances are forecasted based on historical levels. Over the Forecast Period, the cash balances are estimated at approximately 35 days of operating expenses, excluding depreciation and interest, with excess cash being transferred to investments.

##### Accounts Receivable, Residents and Other

Accounts receivable, less allowance for doubtful accounts, are forecasted to remain at historical levels throughout the Forecast Period. Over the Forecast Period, the net accounts receivable, residents and other are estimated at approximately 35 days of net resident service revenue.

##### Other Accounts Receivable

Other accounts receivable are forecasted based upon historical experience.

##### Due from Third Party Payors – Current Portion

Due from Third Party Payors – Current Portion is forecasted to remain at historical levels through the Forecast Period.

##### Due from Related Parties

Due from Related Parties is forecasted to remain at historical levels through the Forecast Period.

##### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets include prepaid expenses and other assets which have been forecasted based on historical levels. Over the Forecast Period, prepaid expenses and other current assets are estimated at approximately 45 days of operating expenses, excluding depreciation and interest.

##### Accounts Payable

Accounts payable has been forecasted based on historical levels. Over the Forecast Period, the accounts payable balances are estimated at approximately 55 days of operating expenses, excluding labor, depreciation and interest.

##### Accrued Expenses

Accounts expenses have been forecasted based on historical levels throughout the Forecast Period. Accrued Expenses are estimated at approximately 35 days of operating expenses, excluding depreciation and interest.

##### Loans Payable to Related Parties – Current Portion

Loans Payable to Related Parties – Current Portion has been calculated based on repayment terms of the loan payable to related parties throughout the Forecast Period.

##### Due to Third-Party Payors – Current Portion

Due to Third Party Payors – Current Portion is forecasted to remain at historical levels through the Forecast Period.

##### Deferred Revenue

Deferred revenue is forecasted to remain at historical levels through the Forecast Period.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Other Items (continued)**

#### Accrued Interest Payable

Accrued interest payable has been calculated based on forecasted interest rates and repayment terms of the long-term debt through the Forecast Period.

#### Assets Limited as to Use

A narrative description of the assets limited as to use follows:

##### *Held by the Trustees:*

In general, the following funds are required to be maintained by the trustees of the Series 2019 Bonds as defined subsequently hereinafter:

- Debt Service Reserve Fund – The Obligated Group is required to maintain debt service reserve fund related to the Series 2019 Bonds. The debt service reserve fund is intended to be utilized should the Obligated Group not be able to meet its scheduled interest and principal payments. Management assumes no draw against the debt service reserve fund will be made during the Forecast Period.
- Project Fund – The project fund represents the amounts that will be utilized to pay Project costs. It is forecasted that the project fund will be fully expended in 2021.
- Capitalized Interest Fund – Interest expense related to the portion of Series 2019 Bonds to be utilized for the Project is forecasted to be funded through for first 30 months from the issuance of the Series 2019 Bonds.
- Bond Fund – The Bond Fund combines the principal and interest required to be funded for the Series 2019 Bonds. Management assumes that the Obligated Group would make monthly deposits into the Bond Fund equal to 1/6<sup>th</sup> of the next semi-annual interest payments due on the Series 2019 Bonds and monthly deposits into the Bond Fund equal to 1/12<sup>th</sup> of the next scheduled principal payments for the Series 2019 Bonds.

##### *Held by the Organization:*

In addition, the Obligated Group maintains the following funds and accounts based on restriction of the Board (Board Designated), outside donors, or other legal or regulatory requirements and including the following:

- Entrance Fee and Security Deposits – Represents resident security deposits for independent and assisted living facilities, as well as entrance fee amounts for certain Independent Living Unit reservations. Upon move-in, certain amounts are released to the Obligated Group. If a resident withdraws, the refund is paid through this account.
- Beneficial Interest in Charitable Remainder Trust – The Obligated Group is a beneficiary of a charitable remainder annuity trust which is included in net assets with donor restriction. The Obligated Group has not forecasted any change in the beneficial interest in charitable remainder annuity trust during the Forecast Period.
- Beneficial Interest in Perpetual Trust - The Obligated Group is a beneficiary of a perpetual annuity trust which is included in net assets with donor restriction. The Obligated Group has not forecasted any change in the beneficial interest in perpetual annuity trust during the Forecast Period.
- Interest in Net Assets of Foundation – The Obligated Group has an interest in the net assets held for its benefit by the Foundation and adjusts for its interest in such net assets for changes therein. Management has not forecasted any change during the Forecast Period.



## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Other Items (continued)**

#### Investments – Equity Method

The Obligated Group holds a 6.87% membership interest in a group purchase service for healthcare organizations in New York State and accounts for this investment using the equity method. The Obligated Group has not forecasted any change in the investments – equity method during the Forecast Period.

#### Property and Equipment, Net

Property and equipment balances, net of accumulated depreciation, are forecasted based on historical balances, costs of constructing the Project, and other routine property and equipment additions during the Forecast Period, reduced by estimated annual depreciation.

The following table reflects the Project additions, routine capital additions, and capitalized interest during the Forecast Period:

**Table 26**  
**Forecasted Property and Equipment Additions**  
**(in \$000s)**

|  | <u>2019</u>      | <u>2020</u>      | <u>2021</u>      | <u>2022</u>     |
|--|------------------|------------------|------------------|-----------------|
| Routine Capital Additions                          | \$ 3,400         | \$ 3,400         | \$ 3,400         | \$ 3,400        |
| Project Costs                                      | 10,526           | 19,270           | 11,306           | -               |
| Capitalized Interest, Net                          | 104              | 1,924            | 1,429            | -               |
| <u>Forecasted Property and Equipment Additions</u> | <u>\$ 14,030</u> | <u>\$ 24,594</u> | <u>\$ 16,135</u> | <u>\$ 3,400</u> |

Source: Management

The following table reflects forecasted Property and Equipment, by category:

**Table 27**  
**Forecasted Property and Equipment**  
**(in \$000s)**

|                                     | <u>2019</u>      | <u>2020</u>       | <u>2021</u>       | <u>2022</u>       |
|-------------------------------------|------------------|-------------------|-------------------|-------------------|
| Land and Land Improvements          | \$ 10,472        | \$ 10,472         | \$ 10,472         | \$ 10,472         |
| Buildings                           | 108,588          | 111,090           | 151,953           | 154,455           |
| Furniture and Equipment             | 20,860           | 21,339            | 29,179            | 29,658            |
| Moveable Equipment and Other Assets | 18,068           | 18,487            | 18,906            | 19,325            |
| Construction in Progress            | 11,793           | 32,987            | -                 | -                 |
| Total                               | 169,781          | 194,375           | 210,510           | 213,910           |
| Accumulated Depreciation            | 73,403           | 83,071            | 92,659            | 102,952           |
| <u>Property and Equipment, Net</u>  | <u>\$ 96,378</u> | <u>\$ 111,304</u> | <u>\$ 117,851</u> | <u>\$ 110,958</u> |

Source: Management

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Other Items (continued)**

#### **Construction-in-Progress**

Construction-in-Progress represents forecasted costs that have not been assumed to be placed in service and are reflected as construction-in-progress until placed in service.

#### **Other Investments**

Other assets consists primarily of deferred compensation plans for certain members of the Obligated Group. Management has not forecasted any change in these assets during the Forecast Period.

#### **Related Parties**

Represents amounts that are either due to or due from affiliate members of the St. Ann's Community that are not members of the Obligated Group. Management has forecasted no change in balances during the Forecast Period.

#### **Long-Term Debt and Interest Expense**

Prior to the assumed issuance of the Series 2019 Bonds, the Obligated Group's existing long-term debt totaled approximately \$71,973,524 at December 31, 2018, which was comprised of the following:

- \$65,916,580 of the Obligated Group mortgages payable (the "Series 2014 Bonds") – due December 2040, payable in varying monthly principal installments plus variable interest ranging between 2.25% plus one-month LIBOR yield, and 67% of the sum of 2.25% and one-month LIBOR Yield, as required by the interest rate swap agreements (as noted herein after).
- \$6,056,944 Chapel Oaks Mortgage Payable – The Chapel Oaks Mortgage Payable (the "Chapel Oaks Mortgage Payable") is due January 2027, payable in varying monthly principal installments plus fixed interest rate of 3.09%. The interest rate is fixed for a 13 year term via an interest rate swap (as noted herein after).

The Series 2014 Bonds and Chapel Oaks Mortgage Payable are forecasted to be paid in full with proceeds from the Series 2019 Bonds. In addition the swaps are forecasted to be terminated at the closing of the Series 2019 Bonds. Management has forecasted using proceeds from the Series 2019 Bonds for final settlement and termination of the swap.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Management's Basis for Forecast of Other Items (continued)**

Forecasted principal payments on the Obligated Group's debt are as follows:

**Table 28**  
**Forecasted Principal Payments**  
**(in \$000s)**

|   | Series 2014 Bonds | Chapel Oaks<br>Mortgage Payable | Series 2019 Bonds<br>Refinancing | Series 2019 Bonds<br>New Money | Total      |
|---|-------------------|---------------------------------|----------------------------------|--------------------------------|------------|
| Fiscal Year Ending December 31,<br>2019 |                   |                                 |                                  |                                |            |
| Payment                                 | \$ 1,736          | \$ 558                          | \$ -                             | \$ -                           | \$ 2,294   |
| Refunding                               | 64,180            | 5,499                           | -                                | -                              | 69,679     |
| Total                                   | 65,916            | 6,057                           | -                                | -                              | 71,973     |
| 2020                                    | -                 | -                               | -                                | -                              | -          |
| 2021                                    | -                 | -                               | 1,070                            | -                              | 1,070      |
| 2022                                    | -                 | -                               | 1,125                            | -                              | 1,125      |
| 2023                                    | -                 | -                               | 1,180                            | -                              | 1,180      |
| 2024                                    | -                 | -                               | 1,240                            | 710                            | 1,950      |
| 2025                                    | -                 | -                               | 1,300                            | 745                            | 2,045      |
| 2026                                    | -                 | -                               | 1,365                            | 785                            | 2,150      |
| 2027                                    | -                 | -                               | 1,435                            | 825                            | 2,260      |
| 2028                                    | -                 | -                               | 1,505                            | 865                            | 2,370      |
| Thereafter                              | -                 | -                               | 60,880                           | 34,940                         | 95,820     |
| Total <sup>(1)</sup>                    | \$ 65,916         | \$ 6,057                        | \$ 71,100                        | \$ 38,870                      | \$ 181,943 |

Source: Management

Notes: (1) The schedule above does not include any bond premiums, discounts or issuance costs that have been netted with Debt-Net on Management's forecasted balance sheets.

### **Interest Rate Swaps**

The Obligated Group entered into interest rate agreements as part of their debt financing arrangements on both the Series 2014 Bonds and the Chapel Oaks Mortgage Payable. Management's estimate of the value of the interest rate swap agreements is a liability of approximately \$2,362,000 at the assumed date of financing. The Obligated Group forecasts terminating both of these interest rate swaps concurrent with the issuance of the Series 2019 Bonds and funding payment on the interest rate swap liability from proceeds of the Series 2019 Bonds.

### **Other Items**

#### **Loss on Extinguishment of Debt**

Management has forecasted a loss related to the write-off of unamortized financing fees related to the Series 2014 Bonds and Chapel Oaks Mortgage Payable upon the assumed issuance of the Series 2019 Bonds.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

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### **Sensitivity Factors and Analyses**

The financial forecast was prepared based on assumptions made by Management concerning future operations of the Obligated Group. Various factors and conditions may occur which could adversely affect the forecast of the financial condition of the Obligated Group and its ability to meet its debt service requirements. These factors may include, but may not be limited to, legislation and regulatory actions, changes in assumptions concerning occupancy, real estate market, rental rates, financing, construction costs, operating costs, occupancy variations due to increased competition from other senior housing facilities, and Management's failure to implement its marketing and/or operational plans. Furthermore, Management prepared its forecast assuming that the Obligated Group obtains financing at rates and terms similar to those described herein, and that the debt service requirements of the Series 2019 Bonds and other existing long-term obligations that do not change during the Forecast Period.

The analyses that follow should not be construed as reflecting the only significant assumptions presented in the forecast. The sensitivity analyses represent Management's analyses and have not been examined. The sensitivity analyses are not intended to be all-inclusive, and are presented for the purpose of demonstrating the significance of:

## Summary of Significant Forecast Assumptions and Accounting Policies

### Sensitivity Factors and Analyses (continued)

#### Sensitivity One

Sensitivity One has been prepared to reflect the estimated impact of operating expenses (excluding depreciation, interest, bad debts expense, and net periodic pension expense) increasing at one percent greater than what Management has forecasted without a corresponding increase in Monthly Service Fees and other charge rates. This one percent was applied each year beginning in 2020, thereby creating a cumulative impact on operating expenses.

**Table 29**  
**Sensitivity One**  
**In Thousands of Dollars, Except Ratios**

|  | 2019      | 2020      | 2021      | 2022      |
|--|-----------|-----------|-----------|-----------|
| As Forecasted:   |           |           |           |           |
| Maximum Annual Debt Service Coverage Ratio <sup>(1)(2)</sup>                     | 3.63x     | 0.57x     | 1.56x     | 1.82x     |
| Days Cash on Hand <sup>(3)</sup>   | 172       | 143       | 132       | 129       |
| Operating Expenses as Forecasted (Excludes Depreciation, Interest and Bad Debts) | \$ 73,725 | \$ 72,286 | \$ 72,482 | \$ 73,287 |
| Sensitivity One:   |           |           |           |           |
| Maximum Annual Debt Service Coverage Ratio <sup>(1)(2)</sup>                     | 3.63x     | 0.42x     | 1.24x     | 1.51x     |
| Days Cash on Hand <sup>(3)</sup>   | 172       | 139       | 120       | 107       |
| Operating Expenses as Forecasted (Excludes Depreciation, Interest and Bad Debts) | \$ 73,725 | \$ 72,982 | \$ 73,893 | \$ 75,438 |

Source: Management

Notes to the Forecasted Schedule of Financial Ratios:

- 1) Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the capitalized interest on the portion of the Series 2019 Bonds relating to the renovation project for the first 30 months after the issuance of the Series 2019 Bonds.
- 2) Pursuant to the Master Trust Indenture, the "Initial Testing Period" for the debt service coverage is the first full fiscal year commencing after the fiscal year in which the construction, renovation, and equipping of the Home facility is completed. Accordingly, Management has forecasted the first measurement year will be the fiscal year ending December 31, 2022. Management has elected to report fiscal year 2019, 2020, and 2021 for information purposes only as these years will not be subject to compliance requirements under the definition of Initial Testing Period in accordance with the Master Trust Indenture.
- 3) Daily operating expenses are equal to operating expenses less amortization of bond issuance costs and bond premium included as a component of interest expense and depreciation, and bad debts, divided by 365 days.

## Summary of Significant Forecast Assumptions and Accounting Policies

### Sensitivity Factors and Analyses (continued)

#### Sensitivity Two

Sensitivity Two has been prepared to reflect the impact of a one percent decline in occupancy, for each level of care, in Fiscal Year 2022 with no corresponding adjustment in operating expenses.

**Table 30**  
**Sensitivity Two**  
**In Thousands of Dollars, Except Ratios**

|  | 2019  | 2020  | 2021  | 2022  |
|--|-------|-------|-------|-------|
| As Forecasted:   |       |       |       |       |
| Maximum Annual Debt Service Coverage Ratio <sup>(1)(2)</sup> | 3.63x | 0.57x | 1.56x | 1.82x |
| Days Cash on Hand <sup>(2)(3)</sup>                          | 172   | 143   | 132   | 129   |
| Chapel Oaks Independent Living Occupancy                     |       |       |       | 110.0 |
| Cherry Ridge Independent Living Occupancy                    |       |       |       | 120.0 |
| Cherry Ridge Assisted Living Occupancy                       |       |       |       | 48.0  |
| Cherry Ridge Memory Care Assisted Living Occupancy           |       |       |       | 22.0  |
| The Home Skilled Nursing Occupancy                           |       |       |       | 362.0 |
| Care Center Skilled Nursing Occupancy                        |       |       |       | 70.0  |
| Sensitivity One:   |       |       |       |       |
| Maximum Annual Debt Service Coverage Ratio <sup>(1)(2)</sup> | 3.63x | 0.57x | 1.56x | 1.74x |
| Days Cash on Hand <sup>(2)(3)</sup>                          | 172   | 143   | 132   | 127   |
| Chapel Oaks Independent Living Occupancy                     |       |       |       | 108.9 |
| Cherry Ridge Independent Living Occupancy                    |       |       |       | 118.8 |
| Cherry Ridge Assisted Living Occupancy                       |       |       |       | 47.5  |
| Cherry Ridge Memory Care Assisted Living Occupancy           |       |       |       | 21.8  |
| The Home Skilled Nursing Occupancy                           |       |       |       | 358.4 |
| Care Center Skilled Nursing Occupancy                        |       |       |       | 69.3  |

Source: Management

Notes to the Forecasted Schedule of Financial Ratios:

- 1) Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the capitalized interest on the portion of the Series 2019 Bonds relating to the renovation project for the first 30 months after the issuance of the Series 2019 Bonds.
- 2) Pursuant to the Master Trust Indenture, the "Initial Testing Period" for the debt service coverage is the first full fiscal year commencing after the fiscal year in which the construction, renovation, and equipping of the Home facility is completed. Accordingly, Management has forecasted the first measurement year will be the fiscal year ending December 31, 2022. Management has elected to report fiscal year 2019, 2020, and 2021 for information purposes only as these years will not be subject to compliance requirements under the definition of Initial Testing Period in accordance with the Master Trust Indenture.
- 3) Daily operating expenses are equal to operating expenses less amortization of bond issuance costs and bond premium included as a component of interest expense and depreciation, and bad debts, divided by 365 days.

## ***Summary of Significant Forecast Assumptions and Accounting Policies***

### **Sensitivity Factors and Analyses (continued)**

#### **Sensitivity Three**

Sensitivity Three has been prepared to reflect an extension to the Highway and Transportation Funding Act (“HAFTA”) scenario which would provide extended pension funding relief with no other changes to pension calculation assumptions.

**Table 31**  
**Sensitivity Three**  
**In Thousands of Dollars, Except Ratios**

|  | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|--|-------------|-------------|-------------|-------------|
| As Forecasted:   |             |             |             |             |
| Maximum Annual Debt Service Coverage Ratio <sup>(1)(2)</sup> | 3.63x       | 0.57x       | 1.56x       | 1.82x       |
| Days Cash on Hand <sup>(3)</sup>                             | 172         | 143         | 132         | 129         |
| Employer Contributions                                       | \$ 2,660    | \$ 2,272    | \$ 2,000    | \$ 4,354    |
| Pension Obligation Liability, Net                            | \$ 30,399   | \$ 27,861   | \$ 25,498   | \$ 20,626   |
| Sensitivity Three:   |             |             |             |             |
| Maximum Annual Debt Service Coverage Ratio <sup>(1)(2)</sup> | 3.63x       | 0.57x       | 1.55x       | 1.82x       |
| Days Cash on Hand <sup>(3)</sup>                             | 172         | 144         | 134         | 136         |
| Employer Contributions                                       | \$ 2,660    | \$ 2,164    | \$ 1,817    | \$ 3,206    |
| Pension Obligation Liability, Net                            | \$ 30,399   | \$ 27,986   | \$ 25,832   | \$ 22,158   |

Source: Management

Notes to the Forecasted Schedule of Financial Ratios:

- 1) Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the capitalized interest on the portion of the Series 2019 Bonds relating to the renovation project for the first 30 months after the issuance of the Series 2019 Bonds.
- 2) Pursuant to the Master Trust Indenture, the “Initial Testing Period” for the debt service coverage is the first full fiscal year commencing after the fiscal year in which the construction, renovation, and equipping of the Home facility is completed. Accordingly, Management has forecasted the first measurement year will be the fiscal year ending December 31, 2022. Management has elected to report fiscal year 2019, 2020, and 2021 for information purposes only as these years will not be subject to compliance requirements under the definition of Initial Testing Period in accordance with the Master Trust Indenture.
- 3) Daily operating expenses are equal to operating expenses less amortization of bond issuance costs and bond premium included as a component of interest expense and depreciation, and bad debts, divided by 365 days.

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**APPENDIX D**

**FORMS OF THE PRINCIPAL DOCUMENTS**

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TABLE OF CONTENTS

Page

MASTER TRUST INDENTURE

by and among

ST. ANN'S OF GREATER ROCHESTER, INC.,  
as the Obligated Group Representative

ST. ANN'S HOME FOR THE AGED,  
ST. ANN'S NURSING HOME COMPANY, INC.,  
ST. ANN'S SENIOR HOUSING, INC.,  
CHERRY RIDGE INDEPENDENT LIVING, LLC,  
CHERRY RIDGE APARTMENTS LIVING, LLC,  
THE GLEN AT CHERRY RIDGE, LLC  
CHAPEL OAKS, INC.,  
each as an Obligated Group Member,

AND SUCH OTHER PERSONS AS MAY BECOME  
OBLIGATED GROUP MEMBERS HEREUNDER

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,  
as Master Trustee

Dated as of December 1, 2019

|              |  |    |
|--------------|--|----|
|              | ARTICLE I  |    |
|              | DEFINITION OF TERMS, CONSTRUCTION                    |    |
|              | AND CERTAIN GENERAL PROVISIONS                       |    |
| SECTION 1.01 | DEFINITION OF TERMS .....                            | 4  |
| SECTION 1.02 | COMPLIANCE CERTIFICATES AND REPORTS.....             | 28 |
| SECTION 1.03 | FORM OF DOCUMENTS DELIVERED TO MASTER TRUSTEE.....   | 29 |
| SECTION 1.04 | ACTS OF HOLDERS OF OBLIGATIONS .....                 | 30 |
| SECTION 1.05 | NOTICES, ETC., TO MASTER TRUSTEE AND OBLIGATED       |    |
|              | GROUP MEMBERS .....                                  | 31 |
| SECTION 1.06 | NOTICES TO HOLDERS OF OBLIGATIONS; WAIVER .....      | 32 |
| SECTION 1.07 | NOTICES TO RATING AGENCIES .....                     | 32 |
| SECTION 1.08 | EFFECT OF HEADINGS AND TABLE OF CONTENTS .....       | 33 |
| SECTION 1.09 | SUCCESSORS AND ASSIGNS .....                         | 33 |
| SECTION 1.10 | SEPARABILITY CLAUSE.....                             | 33 |
|              | ARTICLE II   |    |
|              | THE OBLIGATIONS                                      |    |
| SECTION 2.01 | SERIES AND AMOUNT OF OBLIGATIONS .....               | 33 |
| SECTION 2.02 | APPOINTMENT OF OBLIGATED GROUP REPRESENTATIVE .....  | 34 |
| SECTION 2.03 | EXECUTION AND AUTHENTICATION OF OBLIGATIONS.....     | 34 |
| SECTION 2.04 | SUPPLEMENT CREATING OBLIGATIONS.....                 | 35 |
| SECTION 2.05 | CONDITIONS TO ISSUANCE OF OBLIGATIONS HEREUNDER..... | 35 |
| SECTION 2.06 | LIST OF HOLDERS OF OBLIGATIONS.....                  | 36 |
| SECTION 2.07 | OPTIONAL AND MANDATORY REDEMPTION .....              | 36 |
| SECTION 2.08 | MUTILATED, DESTROYED, LOST AND STOLEN                |    |
|              | OBLIGATIONS.....                                     | 36 |
| SECTION 2.09 | CANCELLATION.....                                    | 37 |
|              | ARTICLE III  |    |
|              | FUNDS AND ACCOUNTS                                   |    |
| SECTION 3.01 | REVENUE FUND.....                                    | 37 |
| SECTION 3.02 | INVESTMENT OF FUNDS.....                             | 40 |
| SECTION 3.03 | ALLOCATION AND TRANSFERS OF INVESTMENT INCOME .....  | 41 |
| SECTION 3.04 | MASTER TRUSTEE RELIEVED FROM RESPONSIBILITY .....    | 41 |

i

ARTICLE IV  
COVENANTS OF THE OBLIGATED GROUP MEMBERS

|              |  |    |
|--------------|--|----|
| SECTION 4.01 | TITLE TO TRUST ESTATE.....                           | 41 |
| SECTION 4.02 | FURTHER ASSURANCES .....                             | 41 |
| SECTION 4.03 | RECORDING AND FILING .....                           | 41 |
| SECTION 4.04 | PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST .....     | 42 |
| SECTION 4.05 | PAYMENT OF TAXES AND OTHER CLAIMS .....              | 43 |
| SECTION 4.06 | MAINTENANCE OF PROPERTIES.....                       | 43 |
| SECTION 4.07 | CORPORATE EXISTENCE; STATUS OF OBLIGATED GROUP ..... | 44 |
| SECTION 4.08 | PRESERVATION OF QUALIFICATIONS .....                 | 44 |
| SECTION 4.09 | ADDITIONS TO FACILITIES .....                        | 45 |
| SECTION 4.10 | INSURANCE.....                                       | 45 |
| SECTION 4.11 | RATES AND CHARGES.....                               | 45 |
| SECTION 4.12 | DAMAGE OR DESTRUCTION .....                          | 48 |
| SECTION 4.13 | CONDEMNATION.....                                    | 50 |
| SECTION 4.14 | OTHER PROVISIONS WITH RESPECT TO NET PROCEEDS.....   | 51 |
| SECTION 4.15 | FINANCIAL STATEMENTS, ETC. ....                      | 51 |
| SECTION 4.16 | PERMITTED ADDITIONAL INDEBTEDNESS .....              | 55 |
| SECTION 4.17 | CALCULATION OF DEBT SERVICE AND DEBT SERVICE         |    |
|              | COVERAGE.....  | 60 |
| SECTION 4.18 | SALE OR LEASE OF PROPERTY .....                      | 63 |
| SECTION 4.19 | LIENS ON PROPERTY .....                              | 65 |
| SECTION 4.20 | LIQUIDITY COVENANT .....                             | 65 |
| SECTION 4.21 | APPROVAL OF CONSULTANTS .....                        | 66 |
| SECTION 4.22 | MANAGEMENT; APPROVAL OF SUCCESSOR MANAGER .....      | 67 |
| SECTION 4.23 | SECURITIES RATING COVENANT.....                      | 69 |
| SECTION 4.24 | DRAWS ON LIMITED SUPPORT AGREEMENT.....              | 69 |
|              | ARTICLE V  |    |
|              | CONSOLIDATION, MERGER, CONVEYANCE AND TRANSFER       |    |
| SECTION 5.01 | MERGER, CONSOLIDATION, SALE OR CONVEYANCE .....      | 69 |
|              | ARTICLE VI   |    |
|              | MEMBERSHIP IN THE OBLIGATED GROUP                    |    |
| SECTION 6.01 | ADMISSION OF OBLIGATED GROUP MEMBERS .....           | 71 |
| SECTION 6.02 | OBLIGATED GROUP MEMBERS.....                         | 73 |

|              |   |    |
|--------------|---|----|
| SECTION 6.03 | WITHDRAWAL OF OBLIGATED GROUP MEMBERS .....                       | 73 |
| SECTION 6.04 | SUCCESSOR OBLIGATED GROUP REPRESENTATIVE.....                     | 74 |
|              | ARTICLE VII   |    |
|              | REMEDIES OF THE MASTER TRUSTEE AND HOLDERS OF SECURED OBLIGATIONS |    |
|              | IN EVENT OF DEFAULT   |    |
| SECTION 7.01 | EVENTS OF DEFAULT .....   | 74 |
| SECTION 7.02 | ACCELERATION OF MATURITY; RESCISSION AND                          |    |
|              | ANNULMENT .....   | 76 |
| SECTION 7.03 | POWERS OF SALE, TRANSFER, ASSIGNMENT, LEASE, AND                  |    |
|              | OTHER DISPOSITIONS; SUITS FOR ENFORCEMENT.....                    | 77 |
| SECTION 7.04 | INCIDENTS OF SALE .....   | 78 |
| SECTION 7.05 | COLLECTION OF INDEBTEDNESS AND SUITS FOR                          |    |
|              | ENFORCEMENT BY MASTER TRUSTEE.....                                | 79 |
| SECTION 7.06 | MASTER TRUSTEE MAY FILE PROOFS OF CLAIM.....                      | 80 |
| SECTION 7.07 | MASTER TRUSTEE MAY ENFORCE CLAIMS WITHOUT                         |    |
|              | POSSESSION OF OBLIGATIONS .....                                   | 80 |
| SECTION 7.08 | APPLICATION OF MONEY COLLECTED .....                              | 80 |
| SECTION 7.09 | LIMITATION ON SUITS .....   | 81 |
| SECTION 7.10 | UNCONDITIONAL RIGHT OF HOLDERS OF OBLIGATIONS TO                  |    |
|              | RECEIVE PRINCIPAL, PREMIUM AND INTEREST.....                      | 82 |
| SECTION 7.11 | RESTORATION OF RIGHTS AND REMEDIES.....                           | 82 |
| SECTION 7.12 | RIGHTS AND REMEDIES CUMULATIVE.....                               | 82 |
| SECTION 7.13 | DELAY OR OMISSION NOT WAIVER.....                                 | 82 |
| SECTION 7.14 | CONTROL BY HOLDERS OF OBLIGATIONS.....                            | 82 |
| SECTION 7.15 | WAIVER OF PAST DEFAULTS AND FUTURE COVENANT                       |    |
|              | REQUIREMENTS.....   | 83 |
| SECTION 7.16 | UNDERTAKING FOR COSTS .....                                       | 83 |
| SECTION 7.17 | WAIVER OF STAY OR EXTENSION LAWS.....                             | 83 |
|              | ARTICLE VIII  |    |
|              | CONEERNING THE MASTER TRUSTEE                                     |    |
| SECTION 8.01 | DUTIES AND LIABILITIES OF MASTER TRUSTEE .....                    | 84 |
| SECTION 8.02 | NOTICE OF DEFAULTS .....  | 85 |
| SECTION 8.03 | CERTAIN RIGHTS OF MASTER TRUSTEE.....                             | 85 |
| SECTION 8.04 | NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF                       |    |
|              | OBLIGATIONS.....  | 88 |

|  |   |    |
|--|---|----|
| SECTION 8.05   | MASTER TRUSTEE OR REGISTRAR MAY OWN OBLIGATIONS.....                  | 88 |
| SECTION 8.06   | MONEY TO BE HELD IN TRUST.....  | 88 |
| SECTION 8.07   | COMPENSATION AND EXPENSES OF MASTER TRUSTEE.....                      | 89 |
| SECTION 8.08   | CORPORATE MASTER TRUSTEE REQUIRED; ELIGIBILITY.....                   | 89 |
| SECTION 8.09   | RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.....                | 90 |
| SECTION 8.10   | ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.....                           | 91 |
| SECTION 8.11   | MERGER OR CONSOLIDATION.....  | 91 |
| SECTION 8.12   | MASTER TRUSTEE AS RELATED BOND TRUSTEE.....                           | 91 |
| SECTION 8.13   | APPROVAL OF SUCCESSOR MASTER TRUSTEE.....                             | 91 |
| ARTICLE IX<br>SUPPLEMENTS AND AMENDMENTS                               |   |    |
| SECTION 9.01   | SUPPLEMENTS WITHOUT CONSENT OF HOLDERS OF OBLIGATIONS.....            | 93 |
| SECTION 9.02   | SUPPLEMENTS WITH CONSENT OF HOLDERS OF OBLIGATIONS.....               | 94 |
| SECTION 9.03   | EXECUTION OF SUPPLEMENTS.....   | 94 |
| SECTION 9.04   | EFFECT OF SUPPLEMENT.....   | 95 |
| SECTION 9.05   | OBLIGATIONS MAY BEAR NOTATION OF CHANGES.....                         | 95 |
| ARTICLE X<br>SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS |   |    |
| SECTION 10.01  | SATISFACTION AND DISCHARGE OF INDENTURE.....                          | 95 |
| SECTION 10.02  | OBLIGATIONS DEEMED PAID.....  | 96 |
| SECTION 10.03  | APPLICATION OF TRUST MONEY.....                                       | 96 |
| SECTION 10.04  | PAYMENT OF RELATED BONDS.....   | 97 |
| ARTICLE XI<br>MISCELLANEOUS PROVISIONS                                 |   |    |
| SECTION 11.01  | NO PERSONAL LIABILITY.....  | 97 |
| SECTION 11.02  | NEW YORK CONTRACT.....  | 97 |
| SECTION 11.03  | LEGAL HOLIDAYS.....   | 97 |
| SECTION 11.04  | BENEFITS OF PROVISIONS OF MASTER TRUST INDENTURE AND OBLIGATIONS..... | 97 |
| SECTION 11.05  | EXECUTION IN COUNTERPARTS.....  | 98 |
| SECTION 11.06  | PROVIDERS OF CREDIT FACILITIES DEEMED HOLDERS.....                    | 98 |

|           |                                   |
|-----------|-----------------------------------|
| EXHIBIT A | LEGAL DESCRIPTION OF THE PREMISES |
| EXHIBIT B | EXISTING LIENS                    |
| EXHIBIT C | TITLE EXCEPTIONS                  |

**MASTER TRUST INDENTURE**

**THIS MASTER TRUST INDENTURE**, dated as of December 1, 2019 (the “Master Trust Indenture”), between ST. ANN’S HOME FOR THE AGED, a New York not-for-profit corporation, ST. ANN’S NURSING HOME COMPANY, INC., a New York not-for-profit corporation, ST. ANN’S SENIOR HOUSING, INC., a New York not-for-profit corporation, CHERRY RIDGE INDEPENDENT LIVING, LLC, a limited liability company whose sole member is St. Ann’s Senior Housing, Inc., CHERRY RIDGE APARTMENTS LIVING, LLC, a limited liability company whose sole member is St. Ann’s Senior Housing, Inc., THE GLEN AT CHERRY RIDGE, LLC, a limited liability company whose sole member is St. Ann’s Senior Housing, Inc., and CHAPEL OAKS, INC., a New York not-for-profit corporation (each an “Obligated Group Member”), ST. ANN’S OF GREATER ROCHESTER, INC., a New York not-for-profit corporation (the “Obligated Group Representative”), and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association with trust powers in the State of New York, as master trustee (the “Master Trustee”),

**WITNESSETH:**

**WHEREAS**, each Obligated Group Member identified above (the “Initial Obligated Group”) is authorized by law to issue Obligations (as defined herein), and has deemed it necessary and desirable that the Initial Obligated Group and any other Obligated Group Member enter into this Master Trust Indenture for the purpose of providing for the issuance from time to time by the Obligated Group Members of Obligations, to finance or refinance the acquisition or betterment of health care facilities or other facilities, or for other lawful and proper purposes of the Initial Obligated Group and their Affiliates (as defined herein); and

**WHEREAS**, all acts and things necessary to constitute this Master Trust Indenture a valid indenture and agreement according to its terms have been done and performed, the Initial Obligated Group has duly authorized the execution and delivery of this Master Trust Indenture, and the Initial Obligated Group, in the exercise of the legal right and power invested in it, executes this Master Trust Indenture and proposes to make, execute, issue and deliver Obligations hereunder; and

**WHEREAS**, the Master Trustee agrees to accept and administer the trusts created hereby,

**GRANTING CLAUSES**

**NOW, THEREFORE, THIS MASTER TRUST INDENTURE WITNESSETH**, that, to secure the payment of the principal of (and premium, if any) and interest on the Outstanding Obligations (hereinafter defined) and the performance of the covenants therein and herein contained and to declare the terms and conditions on which the Outstanding Obligations are secured, and in consideration of the premises, of the purchase of the Obligations by the Holders thereof, and of the sum of One Dollar (\$1.00) to the Obligated Group Members in hand paid by the Master Trustee at or before the execution and delivery hereof, the receipt and sufficiency of which are hereby acknowledged, the Obligated Group Members by these presents do hereby pledge, set over, and confirm to the Master Trustee, forever, all and singular the following described properties, and grant a security interest therein for the purposes herein expressed, to wit:

**GRANTING CLAUSE FIRST**

All revenue, accounts receivable, and Gross Revenues (as defined herein) of the Obligated Group Members, including without limitation rights to receive payments from third party payors such as Medicare and Medicaid, but except and excluding all such items, whether now owned or hereafter acquired by the Obligated Group Members, which by their terms or by reason of applicable law 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, provided that the Obligated Group Members may subject to the lien hereof any such excepted property, whereupon the same shall cease to be excepted property; and

**GRANTING CLAUSE SECOND**

The land described on EXHIBIT A hereto (the “Premises”) and incorporated herein for all purposes, 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 Obligated Group Members, and all claims or expectancy, of, in and to the Premises, it being the intention of the parties hereto that, so far as may be permitted by law, all property of the character hereinabove described, which is now owned or is hereafter acquired by the Obligated Group Members, and is affixed or attached or annexed to the Premises, shall be and remain or become and constitute a portion of the Premises, and the security covered by and subject to the lien of this Master Trust Indenture and the Mortgage; and

**GRANTING CLAUSE THIRD**

All of the rights, titles, interests and estates, now owned or hereafter acquired by the Obligated Group Members in and to any and all accounts, chattel paper, goods, documents, instruments, general intangibles, deposit accounts, investment property, equipment, inventory, fixtures, and any and all other personal property of any kind or character defined in and subject to the provisions of the New York Uniform Commercial Code, including the supporting obligations thereof, proceeds and products of and from any and all of such personal property used in connection with or arising out of the operation and use of the improvements located on the Premises and any substitutions or replacements thereof; and

**GRANTING CLAUSE FOURTH**

Any amounts on deposit from time to time in any fund or account created hereunder, subject to the provisions of this Master Trust Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

## GRANTING CLAUSE FIFTH

Any and all property that may, from time to time hereinafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Obligated Group Members or by anyone on their behalf (and the Master Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subject to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the grantor or the person so acting in its behalf or by the Master Trustee respecting the use and disposition of such property or the proceeds thereof;

**TO HAVE AND TO HOLD, IN TRUST, WITH THE POWER OF SALE,** all said property, rights, privileges, and franchises of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental instrument or otherwise) pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, rights, privileges, leasehold, and franchises including any cash and securities hereafter deposited or required to be deposited with the Master Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate) being herein collectively referred to as the "Trust Estate") unto the Master Trustee and its successors and assigns forever;

**SUBJECT AND SUBORDINATE, HOWEVER,** to the Liens (as defined herein) described in EXHIBIT B hereto and to any and all mortgages, liens, charges, encumbrances, pledges, and security interests granted, created, assumed, incurred, or existing pursuant to the provisions of Section 4.19 hereof and all revenue, accounts receivable, and Gross Revenues derived from such property;

**BUT IN TRUST, NEVERTHELESS,** for the equal and proportionate benefit and security of the Holders from time to time of all the Outstanding Obligations without any priority of any such Obligations over any other such Obligations except as herein or by Supplement otherwise expressly provided;

**UPON CONDITION** that, if the Obligated Group Members or their successors or assigns shall well and truly pay, or cause to be paid, the principal of (and premium, if any) and interest on the Outstanding Obligations according to the true intent and meaning thereof, or there shall be deposited with the Master Trustee such amounts in such form in order that none of the Obligations shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Master Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the full and final payment of all such sums and amounts secured hereby or upon such deposit, the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void and this grant shall be released by the Master Trustee in due form at the expense of the Obligated Group Members, except only as herein provided; otherwise this grant to be and shall remain in full force and effect;

**UPON FURTHER CONDITION** as to any property included in the Trust Estate that, upon Request of the Obligated Group Representative accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent for the disposition of such property set forth in Section 4.18 hereof (other than the condition precedent set forth in Section

3

**"Accountant"** means a certified public accountant, or a firm of certified public accountants, who or which is "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to any Member or its Affiliates (but who or which may be regularly retained by a Member or its Affiliates).

**"Act"** when used with respect to any Holder of Obligations has the meaning specified in Section 1.04 and not the meaning assigned such term in any documents delivered in connection with the issuance of Obligations or Related Bonds, unless specifically provided for in such documents.

**"Additional Indebtedness"** means Indebtedness incurred by any Member subsequent to the issuance of Master Note No. 1.

**"Additional Obligation"** means any evidence of Indebtedness or evidence of any repayment obligation under any Interest Rate Agreement issued after the issuance of Master Note No. 1, which are authorized to be issued by a Member pursuant to this Master Trust Indenture and which has been authenticated by the Master Trustee pursuant to Section 2.03 hereof.

**"Affiliate"** 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.

**"Annual Budget"** means the annual budgets of the Obligated Group Members required to be provided by the Obligated Group Representative pursuant to Section 4.15 hereof.

**"Assisted Living Units"** means the assisted living units that are or become part of the Facilities and which are designated by the applicable Member to be offered for occupancy on an Entrance Fee basis.

**"Authorized Representative"** shall mean, with respect to the Obligated Group Representative and each Obligated Group Member, its respective chief executive officer or president, the chief executive officer of the Facility or any other person or persons designated an Authorized Representative thereof by an Officer's Certificate of the Obligated Group Representative or the Obligated Group Member and delivered to the Master Trustee.

**"Balloon Indebtedness"** means Funded Indebtedness, 25% or more of the original principal amount of which matures during any consecutive 12 month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12 month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified hereunder as Put Indebtedness.

**"Board Resolution"** of any specified Person means a copy of a resolution certified by the Person responsible for maintaining the records of the Governing Body of such Person to have been

5

4.18(d) hereof) have been satisfied, the rights, title, liens, security interests and assignments herein granted shall cease, determine and be void as to such property only and this grant shall be released by the Master Trustee as to such property in due form at the expense of the Obligated Group Members;

**ALL THINGS NECESSARY** to make this Master Trust Indenture a valid agreement and contract for the security of the Obligations in accordance with the terms of such Obligations and this Master Trust Indenture have been done;

**IT IS HEREBY COVENANTED AND DECLARED** that the Trust Estate is to be held and applied by the Master Trustee, subject to the further covenants, conditions, and trusts hereinafter set forth, and the Obligated Group Members do hereby covenant and agree to and with the Master Trustee, for the equal and proportionate benefit of all Holders of the Obligations except as herein otherwise expressly provided; and

**THIS MASTER TRUST INDENTURE FURTHER WITNESSETH** and it is expressly declared that all Obligations issued and secured hereunder are to be issued, authenticated and delivered and all said rights hereby pledged and assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed and the Obligated Group Members have agreed and covenanted, and do hereby agree and covenant, with the Master Trustee for the equal and proportionate benefit of the respective holders from time to time of the Obligations as follows:

## ARTICLE I DEFINITION OF TERMS, CONSTRUCTION AND CERTAIN GENERAL PROVISIONS

**SECTION 1.01 DEFINITION OF TERMS.** For all purposes of this Master Trust Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) "this Master Trust Indenture" means this instrument as originally executed and "Master Indenture" refers to this instrument as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof;

(b) all references in this instrument designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein," "hereof," and "hereunder" and other words of similar import refer to this Master Trust Indenture as a whole and not to any particular Article, Section, or other subdivision;

(c) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular number; and

(d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applied in accordance with Section 1.02 of this Master Trust Indenture.

4

duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification, and delivered to the Master Trustee.

**"Bond Counsel"** means any attorney at law or firm of attorneys of nationally recognized experience in matters pertaining to the validity of, and exclusion from gross income for federal income tax purposes of interest on, the obligations of states and their political subdivisions as may be selected by the Obligated Group Representative but is reasonably acceptable to the issuer of the Related Bonds; provided, however, that with respect to the Related Bonds issued by the Monroe County Industrial Development Corporation including, but not limited to, the Series 2019 Bonds, "Bond Counsel" shall have the meaning given such term in the Series 2019 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 (a) a Saturday, a Sunday, (b) a day the payment system of the U.S. Federal Reserve is not operational (c) a day on which banking institutions are authorized or required by law or executive order to close, or (d) a day on which the New York Stock Exchange is closed.

**"Capital Addition"** means any addition, improvements, extensions, alterations, relocations, enlargements, expansions, modifications or replacement of or to the Facilities and the cost of which is properly capitalized under generally accepted accounting principles applied in accordance with Section 1.02 hereof.

**"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, marketable securities of the Obligated Group Members, including without limitation Related Bonds held by the Obligated Group Members, board-designated assets, and amounts, if any, on deposit in the Operating Reserve Fund, Renewal and Replacement Fund, Working Capital Fund and Entrance Fee Fund, but at all times excluding (a) any debt service reserve fund for the benefit of Related Bonds and other trustee-held funds (including, to the extent applicable, amounts held in escrow or otherwise set aside pursuant to the requirements of the Residency Agreements) other than those specific funds listed 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

6

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.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions.

“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 Section 4.16 hereof, 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 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 hereof; 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.

“Consent” means of any specified Person a written consent signed in the name of such Person by the Chairman of the Governing Body, the Chief Executive Officer, the President, a Vice President, the Treasurer, an Assistant Treasurer or the Chief Financial Officer of such Person or any other person or persons designated by an Officer’s Certificate and delivered to the Master Trustee.

“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

7

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, plus, prior to the termination of the Limited Support Agreement, the lesser of, (i) the Commitment (as defined in the Limited Support Agreement) under the Limited Support Agreement, or (ii) the unrestricted cash and marketable securities of the Foundation, as reported in the certificate provided by the Foundation to the Obligated Group Representative on a quarterly basis, 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 Section 4.15(b)(1) hereof), by 365.

“Debt Service Reserve Fund” means the fund created under Section 3.01(e) hereof.

“Debt Service Reserve Fund Requirement” means, (i) with respect to Composite Reserve Account (as defined in Section 3.01(e)), the least of (A) one hundred percent (100%) of Maximum Annual Debt Service Requirement on the Obligations secured by the Composite Reserve Account, (B) one hundred twenty-five percent (125%) of the average annual debt service requirement on the Obligation or Obligations secured by the Composite Reserve Account and (C) ten percent (10%) of the original stated original principal amount of the Related Bonds secured by the Obligations secured by the Composite Reserve Account, or, if the Related Bonds have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters’ compensation, ten percent (10%) of the initial offering prices to the public of the Related Bonds, or (ii) for any account created in the Debt Service Reserve Fund, other than the Composite Reserve Account, the amount as shall be set forth in the Supplement related thereto.

“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 Sections 4.16 and 4.17 hereof; (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

9

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.

“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 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.

“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 the 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

8

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; (e) any annual fees payable in respect of a Credit Facility (other than annual fees to be paid from proceeds of a bond issue escrowed for such purpose) shall be included in the determination of Debt Service Requirements; (f) principal of and interest on Qualified Intermediate Term Indebtedness shall be excluded; and (g) all payments due on any Affiliate Subordinated Indebtedness shall be excluded from the determination of Debt Service Requirements.

“Defacement 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:

- (1) Federal Home Loan Bank System;
- (2) Export-Import Bank of the United States;
- (3) Federal Financing Bank;
- (4) Government National Mortgage Association;
- (5) Farmers Home Administration;
- (6) Federal Home Loan Mortgage Company;
- (7) Federal Housing Administration;
- (8) Federal National Mortgage Association;
- (9) Agency for International Development;

(10) 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

10

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.

“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys or another method or system specified by the Master Trustee as available for use in connection with its services hereunder.

“**EMMA**” means the Electronic Municipal Market Access System, or any successor depository or system, designated and/or maintained by the Municipal Securities Rulemaking Board and its successors.

“**Encumbered**” means, with respect to Property, Property which is subject to (1) a Lien described in the following subsections of the definition of Permitted Encumbrances: subsection (b) other than a Lien securing Non-Recourse Indebtedness; subsection (e) but including only Capitalized Leases; subsection (m)(ii); and subsection (s); and (2) all other Liens not described in the definition of Permitted Encumbrances; provided that any amounts on deposit in a construction fund created in connection with the issuance of an Obligation which are held as security for the payment of such Obligation or any Indebtedness incurred to purchase such Obligation or the proceeds of which are advanced or otherwise made available in connection with the issuance of such Obligation, shall not be deemed to be Encumbered if the amounts are to be applied to construct or otherwise acquire Property which is not subject to a Lien.

“**Entrance Fee Fund**” means any entrance fee fund or account established by a Supplement in connection with the financing of any Capital Addition.

“**Entrance Fees**” means fees, other than security deposits, monthly rentals or monthly service charges, paid to a Member by residents of Independent Living Units or Assisted Living 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 Independent Living Units or Assisted Living 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 (which amounts shall be included if and when occupancy occurs and such set-aside is no longer required).

“**Event of Default**” has the meaning set forth in Article VII hereof.

“**Expenses**” means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any accrual for taxes,

11

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.

“**Foundation**” means St. Ann’s Foundation.

“**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) all Short Term Indebtedness incurred by the Person which is of the type described in Section 4.16(d) hereof; (c) the Person’s Guaranties of Indebtedness which are not Short Term (but including Guaranties of Short Term Indebtedness described in Section 4.16(d) hereof); 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 this Master Trust Indenture.

“**Funded Interest**” means amounts irrevocably deposited in an escrow or other trust account (other than a Related Bonds Debt Service Reserve Fund) 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.

“**Governing Body**” means, with respect to a Member, the board of directors, the board of trustees or similar group, including, without limitation, an executive committee, 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) accounts 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

13

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 Section 4.17 hereof), (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 land, building and all fixtures and equipment comprising senior living and healthcare facilities owned by the Obligated Group Members located on the Premises, including any independent living units, assisted living units, memory care 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 Report**” means a report prepared and signed by a Consultant, who is an Accountant, setting forth for a forecast period not exceeding five Fiscal Years from the later of the date of the issuance of the Indebtedness in question, or the completion of the Capital Additions financed with such Indebtedness: (a) forecasted financial statements prepared on the same basis as the Obligated Group’s audited financial statements; and (b) a full explanation of the assumptions and rationale used in preparing such forecasts, including that such forecasts have taken into account the projected utilization of the Facilities, the rates and charges to patients and residents and such other data and information as may be necessary to support the forecasted financial statements; which shall be accompanied by an opinion of such Consultant that the underlying assumptions provide a reasonable basis for such forecast.

“**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.

“**Fiscal Year**” means any 12-month period beginning on January 1 of any calendar year and ending on December 31 of such calendar year, or such other consecutive 12 month period selected by the Obligated Group Representative as the fiscal year for the Members.

“**Fitch**” means Fitch Ratings, 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

12

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 this Master Trust 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.

“**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 that in calculating the Debt Service Requirements for such period; 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 this Master Trust 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 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.

“**Holder**” means a bearer of any Obligation issued in bearer form, and the registered owner of any Obligation issued in registered form.

“**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 Counsel**” means an attorney duly admitted to practice law in any state and, without limitation, may include independent legal counsel for any Member, the Master Trustee or any Related Bond Trustee.

“**Independent Living Units**” means the independent living units that are or become part of the Facilities and are offered for occupancy on an Entrance Fee basis.

“**Initial Entrance Fees**” means Entrance Fees received upon the initial occupancy of any Independent Living Unit or Assisted Living Unit not previously occupied.

“**Initial Testing Period**” means the Fiscal Year commencing after the Fiscal Year in which the construction, renovation and equipping of the 2019 Home Facility is completed in accordance with the terms of the Series 2019 Loan Agreement.

“**Initial Underwriter**” means B.C. Ziegler and Company, the underwriter of the Series 2019 Bonds.

“**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

15

“**Maximum Annual Debt Service Requirement**” means the largest total Debt Service Requirements for the current or any succeeding Fiscal Year.

“**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.

“**Mortgage**” means the Mortgage and Security Agreement (Acquisition Loan), the Mortgage and Security Agreement (Project Loan) and the Mortgage and Security Agreement (Building Loan), each dated as of December 1, 2019, from the Obligated Group Representative and the Obligated Group to Monroe County Industrial Development Corporation, as assigned pursuant to an Assignment of Mortgage and Security Agreement (Acquisition Loan), an Assignment of Mortgage and Security Agreement (Project Loan) and an Assignment of Mortgage and Security Agreement (Building Loan) each from Monroe County Industrial Development Corporation to the Master Trustee.

“**Mortgaged Property**” means the real property and personal property of the Members which is subject to the Lien and security interest of this Master Trust Indenture and the Mortgage.

“**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, costs and expenses, adjuster’s fees and any costs or 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 leased 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.

“**Obligated Group**” means, collectively, all of the Obligated Group Members.

“**Obligated Group Member**” or “**Member**” means St. Ann’s Home for The Aged, St. Ann’s Nursing Home Company, Inc., St. Ann’s Senior Housing, Inc., Cherry Ridge Independent

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 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 hereunder unless and to the extent amounts due thereunder are unpaid.

“**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 (a) 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 a least one of the Rating Agencies, and (b) 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 Requirement**” has the meaning given such term in Section 4.20 hereof.

“**Limited Support Agreement**” means the Limited Support Agreement, dated as of November 1, 2019, among the Foundation, the Obligated Group Representative, the Obligated Group and the Master Trustee.

“**Master Note No. 1**” means the Obligation issued by the Obligated Group Representative, on behalf of the Obligated Group, to the Series 2019 Bond Trustee by way of endorsement from Monroe County Industrial Development Corporation pursuant to the terms hereof and of Supplemental Indenture No. 1 to secure repayment of the Series 2019 Bonds.

“**Master Trustee**” means Wilmington Trust, National Association, a national banking association with trust powers in the State of New York, as trustee hereunder, and any successor in trust appointed pursuant to Article VIII hereof.

“**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.

16

Living, LLC, Cherry Ridge Apartments Living, LLC, The Glen at Cherry Ridge, LLC, Chapel Oaks, Inc. and any other Person who has satisfied the requirements set forth in this Master Trust 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 this Master Trust Indenture for ceasing to be an Obligated Group Member.

“**Obligated Group Representative**” means the Parent, or any successor Obligated Group Representative appointed pursuant to Section 6.04 hereof.

“**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 this Master Trust Indenture and which is entitled to the benefits of this Master Trust Indenture.

“**Obligation Register**” means the register of ownership of the Obligations to be maintained pursuant to this Master Trust Indenture.

“**Officer’s Certificate**” means a certificate signed, in the case of a certificate delivered by the Obligated Group Representative or a Member of the Obligated Group, by the Chair or Vice Chair of the Governing Body, the Chief Executive Officer, the Chief Financial Officer or any other Authorized Representative of the Obligated Group Representative or any Member of the Obligated Group or in the case of a certificate delivered by any other corporation, by 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.

“**Operating Reserve Fund**” means any operating reserve fund or account established pursuant to a Supplement in connection with the financing of a Capital Addition or otherwise.

“**Opinion of Bond Counsel**” shall mean an opinion in writing signed by Bond Counsel.

“**Opinion of Counsel**” means a written opinion of counsel (which may be in-house counsel) who may (except as otherwise expressly provided herein) be counsel to any Obligated Group Member or the Obligated Group Representative.

“**Outstanding**” when used with respect to Obligations means, as of the date of determination, all Obligations theretofore authenticated and delivered under this Master Trust Indenture, except:

(a) Obligations theretofore cancelled and delivered to the Master Trustee or delivered to the Master Trustee for cancellation;

(b) Obligations for whose payment or redemption money (or Defeasance Obligations to the extent permitted by Section 10.02 of this Master Trust 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 this Master Trust Indenture; provided, that, if such Obligations are to be redeemed, notice of such redemption has been duly given or waived pursuant to this Master

17

18



Trust Indenture or irrevocable provision for the giving of such notice satisfactory to the Master Trustee has been made pursuant to this Master Trust Indenture; and

(c) Obligations upon transfer of or in exchange for or in lieu of which other Obligations have been authenticated and delivered pursuant to this Master Trust 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 hereunder, 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 a Responsible Representative of the Master Trustee actually 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 pledgor delivers an Officer's Certificate certifying to a Responsible Representative of the Master Trustee the pledgor'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.

"Parent" means St. Ann's of Greater Rochester, Inc., or its successors or assigns.

"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 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 hereto which is existing on the date of execution of this Master Trust 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;

19

(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, senior living facilities 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 owed by an Obligated Group Member;

(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 assumed as part of such acquisition which will remain outstanding after such acquisition which Lien encumbers Property other than Property that is pledged pursuant to Granting Clause Second of this Master Trust Indenture, if in any such case the aggregate principal amount of such Indebtedness does not exceed 100% of the fair market value of such property 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 this Master Trust 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; and

(v) any title policy exceptions described in EXHIBIT C hereto relating to the Premises.

(d) this Master Trust Indenture, the Mortgage 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 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 owed by an Obligated Group Member which are not then delinquent, or if then delinquent are being contested in accordance with Section 4.05 hereof;

(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 this Master Trust 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 at 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;

20

"Permitted Investments" means, if and to the extent the same are at the time legal for investment of funds held under this Master Trust 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 investment grade by any Rating Agency;

(c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, or the Federal Farm Credit Bank, or (ii) backed by the full faith and credit of the United States of America;

(d) U.S. denominated deposit account, certificates of deposit and banker's acceptances with domestic commercial banks, including the Master Trustee or its Affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "A 1" by Standard & Poor's, "F 1+" by Fitch or "P 1" by Moody's, without regard to gradation, and which matures not more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase within the classification or higher, "A 1" by Standard & Poor's, "F 1+" by Fitch or "P 1" by Moody's, without regard to gradation, 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 investment grade by any Rating Agency;

(g) investment agreements with banks that at the time such agreement is executed are rated by any Rating Agency in one of the three highest rating categories assigned by such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or investment agreements with non-bank financial institutions which, (1) all of the unsecured, direct long-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time such agreement is executed in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if such non-bank financial institutions have no outstanding long-term debt that is rated, all of the short-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency in the three highest rating category (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short term indebtedness by such Rating Agency; provided that if at any time after purchase the provider of the investment agreement drops below the three highest rating categories assigned by such Rating Agency, the investment agreement must, within 30 days, either (1) be assigned to a provider rated in one of the three highest rating categories, or (2) be secured by the provider with collateral securities the fair market value of which, in relation to the amount of the investment agreement including principal and interest, is equal to at least 102%; investment agreements with banks or non-bank financial institutions shall not be permitted if no

21

22

rating is available with respect to debt of the investment agreement provider or the related guarantor of such provider;

(h) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including without limitation the Related Bond Trustee or the Master Trustee or its Affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Master Trustee or a custodial agent of the Master Trustee has possession of the collateral and that the collateral is, to the knowledge of the Master Trustee, free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, (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 Related Bond Trustee or the Master Trustee's agent; and

(i) shares of a money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, having assets of at least \$100,000,000 and having a rating of "AAAm" or "AAAm-G" by a Rating Agency, including money market mutual funds from which the Master Trustee or its affiliates 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 (even if any rating is downgraded), absent receipt by a Responsible Representative of written notice or actual information to the contrary. To the extent such investment is no longer a Permitted Investment, the Obligated Group Representative shall promptly provide the Master Trustee written notice of such status and the Master Trustee shall proceed to invest such amounts pursuant to Section 3.02 herein.

For the purposes of this definition, obligations issued or held in the name of the Master Trustee in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Master Trustee.

**"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.

**"Place of Payment"** for a series of Obligations means a city or political subdivision designated as such pursuant to this Master Trust Indenture or a Supplement.

**"Premises"** means the real property described in EXHIBIT A hereto, as it 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.

23

**"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"** shall mean any Indebtedness that (a) matures not more than seven years from the date of its issuance or incurrence and is issued or incurred to finance Facilities for the Obligated Group, and (b) will, according to an Officer's Certificate of the Obligated Group Representative and a Feasibility Report, be used to finance facilities the Initial Entrance Fees for which (based solely on prospective residents from whom the Obligated Group has received a deposit of at least 10% of the projected Initial Entrance Fee of such resident) will 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).

**"Rating Agency"** means, as applicable, Moody's, Standard & Poor's or Fitch or any other Rating Agency that has been requested by the Obligated Group Representative of the Obligated Group to assign a rating to particular Related Bonds and is registered as a Nationally Recognized Statistical Rating Organization (NRSRO) by the U.S. Securities and Exchange Commission.

**"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 including, without limitation, the Series 2019 Bond Indenture.

**"Related Bond Trustee"** means the bond trustee and its successor in the trust created under any Related Bond Indenture including, without limitation, the Series 2019 Bond Trustee.

**"Related Bonds"** means the Series 2019 Bonds and any other revenue bonds, notes 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 the Series 2019 Loan Agreement, any loan agreement, financing agreement, credit agreement or other comparable instrument entered into in connection with a series of Related Bonds.

25

**"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 this Master Trust 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 if 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.

24

**"Renewal and Replacement Fund"** means any repair, renewal or capital facility replacement fund or account established in connection with the financing of any Capital Addition or otherwise.

**"Request"** means of any specified Person a written request signed in the name of such Person by the Chair or Vice Chair of the Governing Body, the Chief Executive Officer or the Chief Financial Officer of such Person or any other person or persons designated by an Officer's Certificate and delivered to the Master Trustee.

**"Required Information Recipient"** means the Master Trustee, each Related Bond Trustee, each provider of a Credit Facility so long as such Credit Facility is in effect, the Initial Underwriter, 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, and all Holders of Related Bonds who hold \$500,000 or more in principal amount of Related Bonds and request such reports in writing (which written request shall include a certification as to such ownership).

**"Reserve Fund Credit Facility"** means a credit facility (including a reserve fund insurance policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Fund in lieu of or in partial substitution for cash on deposit therein pursuant to the terms hereof which Reserve Fund Credit Facility shall be rated at the time of deposit into the Reserve Fund in at least one of the top three rating categories without regard to graduation by Standard & Poor's, Moody's or Fitch.

**"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 Facilities giving the resident certain rights of occupancy in the Facilities, including, without limitation, the Independent Living Units, Assisted Living Units, Skilled Nursing Beds or specialty care (dementia) beds and providing for certain services to such resident.

**"Responsible Representative"** when used with respect to the Master Trustee means the officer or employee of the Master Trustee having direct responsibility for administration of this Master Trust Indenture.

**"Revenue Fund"** means the Revenue Fund created by Section 3.01 hereof.

**"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) non-operating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business, any gain from the extinguishment of debt or other extraordinary item, earnings which constitute Funded Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, but including investment income), plus (iv) Unrestricted Contributions, plus (v) 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 (vi) payments received from any Affiliate of an Obligated Group Member, plus (vii) any

26

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, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write up of fixed or capital assets, (iv) any revenues recognized from deferred revenues related to Entrance Fees, and (v) insurance (other than business interruption) and condemnation proceeds; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member. For purposes of calculations under this Master Trust 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 2019 Bond Indenture**” means the Indenture of Trust, dated as of December 1, 2019, between the Monroe County Industrial Development Corporation and the Series 2019 Bond Trustee, relating to the Series 2019 Bonds.

“**Series 2019 Bonds**” means the Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann’s Community Project), Series 2019 issued pursuant to the Series 2019 Bond Indenture.

“**Series 2019 Bond Trustee**” means Wilmington Trust, National Association, as bond trustee under the Series 2019 Bond Indenture.

“**Series 2019 Home Facility**” shall have the meaning set forth in the Series 2019 Bond Indenture.

“**Series 2019 Loan Agreement**” means the Loan Agreement, dated as of December 1, 2019, between the Monroe County Industrial Development Corporation and the Obligated Group Members, relating to the Series 2019 Bonds.

“**Short Term**” when used 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.

“**Skilled Nursing Beds**” means the skilled nursing beds operated by the Obligated Group in its facilities and available for occupancy (disregarding any temporary interruptions for maintenance or rehabilitation).

“**Stable Occupancy**” means 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.

“**Standard & Poor’s**” means S&P Global Ratings and 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.

“**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, this Master Trust Indenture.

“**Supplemental Indenture No. 1**” means Supplemental Indenture Number 1 dated as of December 1, 2019, between the Obligated Group Representative and the Master Trustee, related to the issuance of the Master Note No. 1.

“**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.

“**Testing Date**” shall have the meaning ascribed to it in Section 4.20 hereof.

“**Threshold Amount**” means the lesser of (a) 5% 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) \$5,000,000.

“**Trust Estate**” has the meaning given such term in the Granting Clauses hereof.

“**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.

“**Working Capital Fund**” means any working capital fund or account established in connection with the financing of a Capital Addition.

**SECTION 1.02 COMPLIANCE CERTIFICATES AND REPORTS.** Whenever the amount or date of any of the following is a condition to the taking of any action permitted hereby,

(a) Estimated Revenues, Expenses, Cash and Investments and Income Available for Debt Service of any Person for any future Fiscal Year shall be established by a certificate or report of a Consultant stating the amount of such estimated item based upon assumptions provided by such Person and stating that such assumptions are, in the opinion of the Consultant, reasonable.

(b) Any of:

(1) Revenues, Expenses, Cash and Investments and Income Available for Debt Service of any Person for any prior Fiscal Year or period,

(2) Debt Service Requirement or Maximum Annual Debt Service Requirement of any Person, and

(3) principal of and interest on any Indebtedness

shall be established by an Officer’s Certificate of the Obligated Group Representative stating the amount of such item and that such amounts have been derived from either the most recent audited or unaudited financial statements of the Obligated Group delivered to the Master Trustee pursuant to Section 4.15 hereof or, for any period other than a prior Fiscal Year, from the internally prepared financial statements of the Obligated Group for such period.

(c) The anticipated date of completion of any construction project of any Person shall be established by an Officer’s Certificate of the Obligated Group Representative; and

(d) Securities shall include any amounts invested in marketable securities, whether classified as short term or long term assets.

All calculations required to be made hereunder with respect to the Obligated Group shall be made after elimination of intercompany items on a combined basis. The character or amount of any asset, liability or item of income or expense required to be determined or any consolidation, combination or other accounting computation required to be made for the purposes hereof, shall be determined or made in accordance with generally accepted accounting principles in effect on the date hereof, or at the option of the Obligated Group Representative, at the time in effect (provided that such generally accepted accounting principles are applied consistently with the requirements existing either on the date hereof or at the time in effect) except that assets, liabilities, items of income and expenses of Affiliates which are not included in the Obligated Group shall not be taken into account, and except where such principles are inconsistent with the requirements of this Master Trust Indenture; provided, however, that there shall not be included in any calculation of any item otherwise required to be included in such calculation with respect to any Person which has withdrawn or is withdrawing from the Obligated Group.

**SECTION 1.03 FORM OF DOCUMENTS DELIVERED TO MASTER TRUSTEE.** In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of any officer of a Person may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel or Opinion of Bond Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of a specified Person stating that the information with respect to such factual matters is in the possession of such Person, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Master Trust Indenture, they may, but need not, be consolidated and form one instrument.

**SECTION 1.04 ACTS OF HOLDERS OF OBLIGATIONS.** (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Master Trust Indenture to be given or taken by Holders of Obligations may be embodied in and 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 herein otherwise expressly provided, 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 this Master Trust Indenture and conclusive in favor of the Master Trustee and the Obligated Group Members, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority.

The amount of Obligations held in bearer form held by any Person executing any such instrument or writing as a Holder of Obligations, the numbers of such Obligations, and the date of his holding the same, may be proved by the production of such Obligations or by a certificate executed, as depositary, by any trust company, bank, banker or member of a national securities exchange (wherever situated), if such certificate is in form satisfactory to the Master Trustee, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Obligations held in bearer form therein described; or such facts may be proved by the certificate or affidavit of the Person executing such instrument or writing as a Holder of Obligations, if such certificate or affidavit is in form satisfactory to the Master Trustee. The Master Trustee and the Obligated Group Members may assume that such ownership of any Obligation held in bearer form continues until (1) another certificate bearing a later date issued in respect of

the same Obligation is produced, or (2) such Obligation is produced by some other Person, or (3) such Obligation is registered as principal or is surrendered in exchange for an Obligation in registered form, or (4) such Obligation is no longer Outstanding.

(c) The fact and date of execution of any such instrument or writing and the amount and numbers of Obligations held in bearer form held by the Person so executing such instrument or writing may also be proved in any other manner which the Master Trustee deems sufficient; and the Master Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(d) The ownership of Obligations in registered form shall be proved by the Obligation Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Obligation shall bind every future Holder of the same Obligation and the Holder of every Obligation issued upon the transfer thereof or in exchange thereof or in lieu thereof, in respect of anything done or suffered to be done by the Master Trustee or the Obligated Group Members in reliance thereon, whether or not notation of such action is made upon such Obligation.

**SECTION 1.05 NOTICES, ETC., TO MASTER TRUSTEE AND OBLIGATED GROUP MEMBERS.** Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders of Obligations or other document provided or permitted by this Master Trust Indenture to be made upon, given or furnished to, or filed with,

(a) the Master Trustee by any Holder of Obligations or by any specified Person shall be sufficient for every purpose hereunder if actually received by the Master Trustee at Wilmington Trust, National Association, 285 Delaware Avenue, 3rd Floor, Buffalo, New York 14202, Attn: Corporate Trust Department, or such other address as specified by the Master Trustee or successor Master Trustee and notified in writing to the Required Information Recipients; or

(b) the Obligated Group Members by the Master Trustee or by any Holder of Obligations shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, to the Obligated Group Representative addressed to it at St. Ann's of Greater Rochester, Inc., 1500 Portland Avenue, Rochester, New York 14621, Attention: Senior Vice President and CFO, or at any other address previously furnished in writing to the Master Trustee by the Obligated Group Representative.

The Master Trustee shall have the right to accept and act upon directions or instructions given pursuant to this Master Trust Indenture or any other document reasonably relating to the Obligations and delivered using Electronic Means; provided, however, that the Obligated Group Representative shall provide to the Master Trustee an incumbency certificate listing Authorized Representatives with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If an Obligated Group Member elects to give the Master Trustee directions or instructions using Electronic Means and the Master Trustee in its discretion elects to act upon such directions or instructions, the Master Trustee's understanding of such directions or instructions shall be deemed

31

(d) any Interest Rate Agreement entered into by any Obligated Group Member.

**SECTION 1.08 EFFECT OF HEADINGS AND TABLE OF CONTENTS.** The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

**SECTION 1.09 SUCCESSORS AND ASSIGNS.** All covenants and agreements in this Master Trust Indenture by the Obligated Group Members shall bind their respective successors and assigns, whether so expressed or not.

**SECTION 1.10 SEPARABILITY CLAUSE.** In case any provision in this Master Trust Indenture or in the Obligations shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

## ARTICLE II THE OBLIGATIONS

**SECTION 2.01 SERIES AND AMOUNT OF OBLIGATIONS.** (a) Obligations shall be issued under this Master Trust Indenture in series created by Supplements permitted hereunder. Each series shall be designated to differentiate the Obligations of such series from the Obligations of any other series. No Obligation issued hereunder shall be secured on a basis senior to other Obligations; provided, however, that the provision of an Interest Rate Agreement, letter or line of credit, standby bond purchase agreement, bond insurance policy or other similar instrument or obligation issued by a financial institution or municipal bond insurer or the establishment of a debt service reserve fund or account for the sole benefit of the Holders of certain Obligations, shall be permitted provided, further, that any Subordinated Indebtedness issued by an Obligated Group Member shall contain a provision to the effect that payment on the Subordinated Indebtedness is subordinate to payment on Obligations issued pursuant to this Master Trust Indenture. The number of series of Obligations that may be created under this Master Trust Indenture is not limited. The aggregate principal amount of Obligations of each series that may be created under this Master Trust Indenture is not limited except as restricted by Supplement and the provisions of Article IV of this Master Trust Indenture.

(b) Any Obligated Group Member proposing to incur Indebtedness, other than the Master Note No. 1, whether evidenced by Obligations issued pursuant to a Supplement or by evidences of Indebtedness issued pursuant to documents other than this Master Trust Indenture, shall give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred, to the Obligated Group Representative and the other Obligated Group Members. The Obligated Group Representative shall provide the Master Trustee with a copy of any such notice it receives prior to the date such Indebtedness is to be incurred. Any such Obligated Group Member, other than the Obligated Group Representative (to the extent the Obligated Group Representative is an Obligated Group Member), proposing to incur such Indebtedness other than Master Note No. 1, shall obtain the written consent of the Obligated Group Representative, which consent shall be evidenced by an Officer's Certificate of the Obligated Group Representative filed with the Master Trustee or an endorsement to such Indebtedness signed by the Obligated Group Representative. Master Note No. 1 is issued simultaneously with the execution and delivery hereof.

33

controlling. The Obligated Group Members each understand and agree that the Master Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Master Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Master Trustee pursuant to this paragraph have been sent by such Authorized Officer. The Obligated Group Members shall each be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Master Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. Each of the Obligated Group Members agree: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Master Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Master Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

### SECTION 1.06 NOTICES TO HOLDERS OF OBLIGATIONS; WAIVER.

Where this Master Trust Indenture provides for notice to Holders of Obligations of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder of such Obligations, at his address as it appears on the Obligation Register, not later than the latest date, and not earlier than the earliest date, prescribed for the transmission of such notice; provided, however, if notice is permitted by the terms of this Master Trust Indenture to be sent by electronic mail, the provisions of Section 1.05 hereof shall apply. Where this Master Trust Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Obligations shall be filed with the Master Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**SECTION 1.07 NOTICES TO RATING AGENCIES.** If any Related Bonds are then rated by a Rating Agency, the Obligated Group Representative shall give prompt notice to such Rating Agency of any of the following events:

(a) any Event of Default hereunder;

(b) 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);

(c) any addition to or withdrawal from the Obligated Group; and

32

(c) Obligations that are issued to secure payments other than Regularly Scheduled Payments under an Interest Rate Agreement may be secured by an Obligation on parity with other Obligations or constitute Subordinated Indebtedness hereunder. Obligations may adopt by reference the terms of an Interest Rate Agreement. Obligations issued pursuant to this provision (c) do not constitute Indebtedness (unless and to the extent amounts due thereunder are unpaid) and may be incurred without regard to provisions of this Master Indenture restricting or limiting the issuance or incurrence of Indebtedness, and shall not be treated as Outstanding hereunder and shall be excluded for purposes of determining whether the Holders of the requisite amount of Obligations Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Master Indenture (including a request, demand, authorization, notice, consent or waiver pursuant to the remedy provisions of Article VII or an amendment pursuant to Article IX of this Master Indenture).

**SECTION 2.02 APPOINTMENT OF OBLIGATED GROUP REPRESENTATIVE.** Each Obligated Group Member, by becoming an Obligated Group Member, irrevocably appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative (a) full and exclusive power to execute Supplements authorizing the issuance of Obligations or series of Obligations, (b) full and exclusive power to execute Obligations for and on behalf of the Obligated Group and each Obligated Group Member, (c) full and exclusive power to execute Supplements on behalf of the Obligated Group and each Obligated Group Member pursuant to Sections 9.01 and 9.02 hereof, and (d) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations hereunder, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

**SECTION 2.03 EXECUTION AND AUTHENTICATION OF OBLIGATIONS.** All Obligations shall be executed for and on behalf of the Obligated Group and the Obligated Group Members by an Authorized Representative of the Obligated Group Representative. The signature of any such Authorized Representative may be manual or may be mechanically or photographically reproduced on the Obligation. If any Authorized Representative whose signature appears on any Obligation ceases to be such Authorized Representative before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such Authorized Representative had remained in office until such delivery. Each Obligation shall be manually authenticated by an authorized representative of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

The Master Trustee's authentication certificate shall be substantially in the following form:

## MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

This [Obligation] is one of the Obligations referred to in the aforementioned Master Trust Indenture.

Date of Authentication: \_\_\_\_\_  
Master Trustee  
By: \_\_\_\_\_  
Authorized Signatory

**SECTION 2.04 SUPPLEMENT CREATING OBLIGATIONS.** The Obligated Group Representative (on behalf of the Obligated Group Members) and the Master Trustee may from time to time enter into a Supplement in order to create Obligations hereunder. Each Supplement authorizing the issuance of Obligations shall specify and determine the date of the Obligations, the principal amount thereof, the purposes for which such Obligations are being issued, the form, title, designation, and the manner of numbering or denominations, if applicable, of such Obligations, the date or dates of Maturity of such Obligations, the rate or rates of interest (or method of determining the rate or rates of interest) and premium, if any, borne by such Obligations, the arrangement for place and medium of payment, and any other provisions deemed advisable or necessary, and any of the foregoing terms may be incorporated into such Supplement by reference. Each Obligation shall be issuable, shall be transferable and exchangeable and shall be subject to redemption as specified in this Master Trust Indenture and in the Supplement. Any Obligation to be held by a Related Bond Trustee in connection with the issuance of Related Bonds shall be in the principal amount equal to the aggregate principal amount of such Related Bonds and shall be registered in the name of the Related Bond Trustee as assignee of the issuer of the Related Bonds. Unless an Obligation has been registered under the Securities Act of 1933, as amended (or similar legislation subsequently enacted), each such Obligation shall be endorsed with a legend which shall read substantially as follows: "This [describe Obligation] has not been registered under the Securities Act of 1933 or any state securities law (or any such similar subsequent legislation);" provided, however, such legend shall not be required if the Master Trustee is provided with an Opinion of Counsel to the effect that such legend is not required.

A Supplement and the Obligations issued thereunder may contain, as applicable, provisions relating to bond insurance or other forms of credit or liquidity enhancement, as well as any and all compatible provisions necessary in order to make the Obligations meet the requirements of an issuer of any credit or liquidity enhancement. Similarly, a Supplement may provide for Obligations to be issued in fixed or variable rate forms, as the case may be, with such tender and redemption provisions as may be deemed necessary for the issuance thereof and provide for the execution of required documents necessary for such purposes, and may specifically subordinate payment, remedies and any other provisions of the Obligations issued thereunder to the provisions of any other Obligations.

**SECTION 2.05 CONDITIONS TO ISSUANCE OF OBLIGATIONS HEREUNDER.** With respect to Obligations created hereunder, simultaneously with or prior to the execution, authentication and delivery of Obligations pursuant to this Master Trust Indenture:

35

Upon the issuance of any new Obligation under this Section, the Obligated Group Representative and the Master Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Master Trustee) in connection therewith.

Every new Obligation issued pursuant to this Section in lieu of any destroyed, lost or stolen Obligation shall constitute an original additional contractual obligation of the maker thereof, whether or not the destroyed, lost or stolen Obligation shall be at any time enforceable by anyone, and shall be entitled to all the benefits and security of this Master Trust Indenture equally and proportionately with any and all other Obligations duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations.

**SECTION 2.09 CANCELLATION.** All Obligations surrendered for payment, redemption, transfer or exchange shall, if delivered to any Person other than the Master Trustee, be delivered to the Master Trustee and, if not already canceled or required to be otherwise delivered by the terms of the Supplement authorizing the series of Obligations of which such Obligation is a part, shall be promptly canceled by it. The Obligated Group Representative may at any time deliver to the Master Trustee for cancellation any Obligations previously authenticated and delivered hereunder, which the Obligated Group Representative may have acquired in any manner whatsoever, and all Obligations so delivered shall be promptly canceled by the Master Trustee. No Obligations shall be authenticated in lieu of or in exchange for any Obligations canceled as provided in this Section, except as expressly permitted by this Master Trust Indenture. All canceled Obligations held by the Master Trustee shall be treated by the Master Trustee in accordance with its current document retention policies.

### ARTICLE III FUNDS AND ACCOUNTS

**SECTION 3.01 REVENUE FUND.** (a) If an Event of Default under Section 7.01(a) of this Master Trust Indenture shall occur and continue for a period of five days, the Master Trustee shall establish a fund to be known as the "Revenue Fund" and each Obligated Group Member shall deposit with the Master Trustee 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 Section 4.19 of this Master Trust Indenture) during each succeeding month, beginning on the first day thereof and on each day thereafter, until no default under Section 7.01(a) of this Master Trust Indenture or in the payment of any other Obligations then exists. At the request of the Master Trustee, upon such Event of Default, the Obligated Group Representative shall enter into a deposit account control agreement for hereinafter described operating account.

(b) 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 shall withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

37

(a) the Obligated Group Representative (on behalf of the Obligated Group Members) and the Master Trustee shall have entered into a Supplement as provided in Section 2.04 hereof, and all requirements and conditions to the issuance of such Obligations set forth in the Supplement and in this Master Trust Indenture, including, without limitation, the provisions of Sections 4.16 and 9.01 hereof (provided that such provisions shall not be applicable to Master Note No. 1), shall have been complied with and satisfied, as provided in an Officer's Certificate of the Obligated Group Representative, a copy of which shall be delivered to the Master Trustee; and

(b) the Obligated Group Representative shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (i) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Master Trust Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (ii) this Master Trust Indenture, as amended and supplemented by such Supplement, and the Obligations are valid, binding and enforceable obligations of each of the Obligated Group Members in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally, usual equity principles and other customary exclusions.

**SECTION 2.06 LIST OF HOLDERS OF OBLIGATIONS.** The Master Trustee shall keep on file at its office the Obligation Register which shall consist of a list of the names and addresses of the Holders of all Obligations. At reasonable times and under reasonable regulations established by the Master Trustee, the Obligation Register may be inspected and copied by any Obligated Group Member, the Holder of any Obligation or the authorized representative thereof; provided that the ownership by such Holder and the authority of any such designated representative shall be evidenced to the satisfaction of the Master Trustee.

**SECTION 2.07 OPTIONAL AND MANDATORY REDEMPTION.** Obligations of each series may be subject to optional and mandatory redemption in whole or in part and may be redeemed prior to Maturity, as provided in the Supplement creating such series, but not otherwise.

**SECTION 2.08 MUTILATED, DESTROYED, LOST AND STOLEN OBLIGATIONS.** If (a) any mutilated Obligation is surrendered to the Master Trustee, or the Master Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Obligation, and (b) there is delivered to the Master Trustee such security or indemnity as may be required by the Master Trustee to save it and the Obligated Group Representative harmless, then, in the absence of notice to the Obligated Group Representative or the Master Trustee that such Obligation has been acquired by a bona fide purchaser, the Obligated Group Representative shall execute and upon its request the Master Trustee shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Obligation, a new Obligation of like tenor, series, interest rate and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Obligation has become or is about to become due and payable, the Obligated Group Representative in its discretion may, instead of issuing a new Obligation, pay such Obligation.

36

First: to the payment of all amounts due the Master Trustee under this Master Trust Indenture and each Related Bond Trustee under a Related Bond Indenture;

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

Third: to the payment of the amounts then due for such month and unpaid upon the Obligations, other than Obligations constituting Subordinated Indebtedness, for principal (and premium, if any) and interest and any other amounts due under the Obligations, 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 and any other amounts due under the Obligations, respectively, and payments due under any Interest Rate Agreement that do not constitute Subordinated Indebtedness;

Fourth: to restore any deficiency in the Debt Service Reserve Fund or a Related Bonds Debt Service Reserve Fund (in each case, on a pro rata basis based on the principal amount of the Related Bonds outstanding);

Fifth: to the payment of the amounts then due for such month and unpaid upon the Obligations constituting Subordinated Indebtedness for principal (and premium, if any) and interest and any other amounts due under the Obligations, 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 and any other amounts due under the Obligations, respectively;

Sixth: to the payment of all other amounts due under any Interest Rate Agreement that constitute Subordinated Indebtedness; and

Seventh: to the Obligated Group Representative for the benefit of the Obligated Group.

(c) The money deposited to the Revenue Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and in Section 7.08 hereof. Pending disbursements of the amounts on deposit in the Revenue Fund, the Master Trustee shall promptly invest and reinvest such amounts in accordance with Section 3.02 hereof. All such investments shall have a maturity not greater than 91 days from date of purchase.

(d) Except as described in Section 3.01(a) above, each Obligated Group Member shall be entitled to full possession and use of its Gross Revenues other than any Entrance Fees then required to be deposited into an Entrance Fee Fund established by a Supplement.

(e) The Master Trustee shall establish and maintain so long as any Obligations entitled to the benefit thereof are outstanding a separate fund to be known as the "Reserve Fund-St. Ann's Obligated Group" (the "Debt Service Reserve Fund" or "Reserve Fund" and therein an account to be known as the "Composite Reserve Account"). The Master Trustee shall hereinafter be entitled to establish and maintain any separate accounts in the Reserve Fund as may be set forth in a Supplement, which accounts may be for the benefit of one or more Obligations, as provided in the applicable Supplement(s). If, on any date on which principal of or interest on an Obligation entitled to the benefits of the Debt Service Reserve Fund or account therein is to be paid to the Holder thereof, the moneys on deposit under the Related Bond Indenture are insufficient to pay the principal of or interest on such Related Bonds, then the Master Trustee shall proceed to use moneys on deposit in the applicable account therein to make up any deficiencies by paying money on deposit in the applicable account therein to the Holder of the applicable Obligation(s) to make up any deficiencies. In the event that moneys are withdrawn from the Debt Service Reserve Fund to make up any such deficiencies, the Master Trustee shall notify the Obligated Group Representative of the amount so withdrawn. In the case of any such withdrawal, the Obligated Group agrees to restore the amount on deposit in the Debt Service Reserve Fund or account therein to an amount equal to the Debt Service Reserve Fund Requirement as soon as reasonably practicable and in any event in not more than 12 substantially equal consecutive monthly installments beginning with the first day of the first month after the month in which the withdrawal was made or with respect to an account other than the Composite Reserve Account, as otherwise provided by the Supplement related thereto.

Any future Supplement to this Master Indenture creating an Obligation shall provide whether such Obligation will be entitled to the benefit of the Composite Reserve Account or to any separate account therein (if any). If so entitled, such Supplement shall provide for the deposit of such amount as may be necessary to cause the amount on deposit in the Debt Service Reserve Fund or the separate account therein to equal the Debt Service Reserve Fund Requirement on all Obligations outstanding and specified to be so entitled to the benefit of such fund or account. Notwithstanding the foregoing, Obligations are not required to be secured by the Debt Service Reserve Fund or any account therein, but Obligations may be secured by an account in the Debt Service Reserve Fund and Related Bonds may also be secured by a Related Bonds Debt Service Reserve Fund.

Except as otherwise provided by a Supplement with regard to an account other than the Composite Reserve Account, investments in the Debt Service Reserve Fund or account therein shall be valued by the Master Trustee as of the last Business Day of each December and June on the basis of fair market value (which valuation shall take into account any accrued and unpaid interest). Except as otherwise provided by a Supplement with regard to an account other than the Composite Reserve Account, the funds in the Debt Service Reserve Fund may be invested in Permitted Investments as directed by the Obligated Group Representative and the Debt Service Reserve Requirement may be satisfied by the deposit of an irrevocable letter of credit. The Master Trustee may conclusively rely upon and be fully protected in relying upon the Obligated Group Representative's written direction as to such Permitted Investments. Except as otherwise provided by a Supplement with regard to an account other than the Composite Reserve Account, Reserve Fund Credit Facilities, surety bonds, guaranteed investment contracts and other investment agreements constituting "Permitted Investments" in the Debt Service Reserve Fund or an irrevocable letter of credit, shall be valued at the amount which is available to be drawn or paid

39

the Obligated Group the right to receive individual confirmations of security transactions at no additional cost, as they occur, the Obligated Group specifically waives receipt of such confirmations to the extent permitted by law. The Master Trustee will furnish or make available to the Obligated Group periodic cash transaction statements that include detail for all investment transactions by the Master Trustee hereunder.

**SECTION 3.03 ALLOCATION AND TRANSFERS OF INVESTMENT INCOME.** Any investments in any fund or account shall be held by or under the control of the Master Trustee and shall be deemed at all times a part of the fund or account from which the investment was made. Any loss resulting from such investments shall be charged to such fund or account. Any interest or other gain from any fund or account from any investment or reinvestment pursuant to Section 3.02 hereof on deposit in such fund or account (other than the Revenue Fund) or such other account or funds designated by Supplement on each January 1, April 1, July 1 and October 1 shall be transferred at the written direction of the Obligated Group Representative, except if an Event of Default has occurred and is continuing, in which case, such interest or other gain shall be transferred to the Revenue Fund if so established.

**SECTION 3.04 MASTER TRUSTEE RELIEVED FROM RESPONSIBILITY.** The Master Trustee shall be fully protected in relying upon any Obligated Group Representative Request relating to investments in any fund, and shall not be liable for any losses or prepayment penalties as a result of complying with any such Obligated Group Representative Request, and shall not be required to ascertain any facts with respect to such Request. In the event that the Master Trustee is not provided written direction as to investments in any fund, the Master Trustee is entitled to hold funds on deposit therein uninvested.

#### ARTICLE IV COVENANTS OF THE OBLIGATED GROUP MEMBERS

**SECTION 4.01 TITLE TO TRUST ESTATE.** The Obligated Group Members warrant that they have good and indefeasible title to the Trust Estate free and clear of any liens, charges, encumbrances, security interests and adverse claims whatsoever except the encumbrances permitted by Section 4.19 hereof. Each Obligated Group Member represents that it has the right to mortgage the Mortgaged Property and to enter into the Mortgage and will warrant and defend to Master Trustee, the title and the lien of this Master Trust Indenture and the Mortgage as a valid and enforceable mortgage thereon and lien on the Trust Estate, including the Mortgaged Property, and a security interest therein subject to Permitted Encumbrances. This Master Trust Indenture constitutes a valid and subsisting lien on and security interest in the Trust Estate, all in accordance with the terms hereof, subject to Permitted Encumbrances.

**SECTION 4.02 FURTHER ASSURANCES.** The Obligated Group Members, upon the request of the Master Trustee or any Related Bond Trustee, will execute, acknowledge, deliver and record and/or file such further instruments and do such further acts as may be necessary, desirable or proper to carry out more effectively the purpose of this Master Trust Indenture and to subject the Trust Estate to the liens and security interests hereof.

**SECTION 4.03 RECORDING AND FILING.** The Obligated Group Representative shall cause the Mortgage and all other instruments necessary to create and/or preserve the liens and security interests granted hereunder and all amendments and supplements

41

thereunder. Except as otherwise provided by a Supplement with regard to an account other than the Composite Reserve Account, if on any valuation date the amount on deposit in the Debt Service Reserve Fund is less than 100% of the Debt Service Reserve Fund Requirement as a result of a decline in the market value of investments in the Debt Service Reserve Fund, the Obligated Group shall deposit in the Debt Service Reserve Fund the amount necessary to restore the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement within not more than 120 days following the date on which it receives notice of such deficiency from the Master Trustee. Except as otherwise provided by a Supplement with regard to an account other than the Composite Reserve Account, if the amount on deposit in the Debt Service Reserve Fund is more than the Debt Service Reserve Fund Requirement, the amount of such excess shall, if the Obligated Group so directs, (i) be transferred to the Related Bond Trustee to the extent of the amount required to be deposited for debt service for the next required principal payment date on the Related Bonds occurring within 13 months of such transfer and any excess shall be deposited in the interest fund and used to pay interest on Related Bonds or (ii) used for any other corporate purpose, provided, however, the Master Trustee shall have received an Opinion of Bond Counsel (which Opinion, including the scope, form, substance and other aspects thereof are acceptable to the Master Trustee) to the effect that the foregoing use in (ii) will not adversely affect, 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.

**SECTION 3.02 INVESTMENT OF FUNDS.** Any moneys held by the Master Trustee hereunder, including any fund or account established pursuant to any Supplement, except for deposits to the Debt Service Reserve Fund Requirement pursuant to Section 3.01(e) hereof, shall be invested or reinvested by the Master Trustee in Permitted Investments upon the receipt of an Obligated Group Representative Request (upon which the Master Trustee is entitled to conclusively rely). Any such investments shall be held by or under the control of the Master Trustee and shall mature, or be redeemable at the option of the Master Trustee at such times as it is anticipated by the Obligated Group Representative that moneys from the particular fund will be required for the purposes of this Master Trust Indenture. For the purpose of any investment or reinvestment under this Section, investments shall be deemed to mature at the earliest date on which the obligor under such investment is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligation. Any Permitted Investments may be purchased from or sold to the Master Trustee or any of its respective affiliates and may charge its customary fees for such trades, including cash sweep account fees, provided that a schedule of such fees is provided in advance to the Obligated Group Representative. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Master Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments. Confirmations of investments are not required to be issued by the Master Trustee for each month in which a monthly statement is rendered. The Master Trustee shall keep or cause to be kept proper and detailed records containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys held under this Master Trust Indenture. The Master Trustee shall make copies of such records available to the Obligated Group Representative, upon its reasonable written request.

The Obligated Group acknowledges that to the extent the regulations of the United States of America Office of the Comptroller of the Currency or other applicable regulatory entity grant

40

thereto and substitutions therefor and any initial financing statements, amendments thereto and continuation statements to be recorded, filed, re-recorded and refilled in such manner and in such places as are necessary to protect the lien on and security interests in the Trust Estate and will pay or cause to be paid all such recording, filing, re-recording and refiling taxes, fees, reasonable expenses, including legal fees, and other charges. Additionally, the Obligated Group hereby authorizes and directs the Master Trustee at any time and from time to time to, at the expense of the Obligated Group, file any financing statements, amendments thereto and continuation statements with or without the signature of the Obligated Group Members as authorized by applicable law, as applicable to all or part of the Property for the purpose of securing the lien on and security interest in the Trust Estate created pursuant to this Master Trust Indenture and the Mortgage. Notwithstanding anything to the contrary contained herein, the Master Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto) or any continuation statements, the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such filings, and unless the Master Trustee shall have been notified by the Obligated Group that any such initial filing or description of collateral was or has become defective, the Master Trustee shall be fully protected in relying on such initial filing and descriptions in filing any financing or continuation statement(s) pursuant to this Section. For purposes of such filings, each Obligated Group Member agrees to furnish any information requested by the Master Trustee promptly upon request by the Master Trustee. The Obligated Group hereby irrevocably constitutes and appoints the Master Trustee and any officer or agent of the Master Trustee, with full power of substitution, as its true and lawful attorneys in fact with full irrevocable power and authority in the place and stead of the Obligated Group or in the Obligated Group's own name to execute in the Obligated Group's name any documents and otherwise to carry out the purposes of this Section 4.03, to the extent that the Obligated Group's authorization above is not sufficient. To the extent permitted by law, the Obligated Group hereby ratifies all acts said attorneys in fact have lawfully done in the past or shall lawfully do or cause to be done in the future by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable. Furthermore, the Mortgage shall also constitute a "fixture filing" for the purpose of Article 9 of the New York Uniform Commercial Code against all of the Trust Estate which is or to become fixtures. Information concerning the security interest herein granted may be obtained at the addresses of the Obligated Group Representative and the Master Trustee as set forth in Section 1.05 of this Master Trust Indenture. Each Obligated Group Member shall promptly notify the Master Trustee of any change in its organizational identification number or address.

**SECTION 4.04 PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.** The Obligated Group Members will duly and punctually pay the principal of (and premium, if any) and interest on the Obligations in accordance with the terms of the Obligations and this Master Trust Indenture.

Each Obligated Group Member hereby jointly and severally unconditionally agrees to the full and timely payment of the principal of, and 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, whether at Stated Maturity, declaration of acceleration, call for redemption or otherwise. Such agreement shall not be affected, modified or impaired upon the happening from time to time of any event, other than the payment

42

of such Obligations (or provision therefor), including, without limitation, any of the following, whether or not with notice to, or the consent of, each Obligated Group Member:

(a) the waiver, compromise, settlement, release or termination by any Person of the obligations evidenced by such Obligations or any covenant or security in support thereof;

(b) the failure to give notice to any guarantor of the occurrence of an event of default under the terms and provisions of this Master Trust Indenture or any agreement under which such Obligations are created, assumed, guaranteed or secured;

(c) any failure, omission, or delay on the part of the Master Trustee or the Holder of such Obligations to enforce, assert or exercise any right, power or remedy conferred on the Master Trustee or such Holder in this Master Trust Indenture or any other agreement under which such Obligations are created, assumed, guaranteed or secured;

(d) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement under bankruptcy or similar laws, composition with creditors or readjustment of, or other similar proceedings affecting any such guarantor or any other obligor on Obligations;

(e) the invalidity, irregularity, illegality, unenforceability, or lack of value of, or any defect in any of the Obligations so guaranteed or any collateral security therefor; or

(f) to the extent permitted by law, any event or action that would, in the absence of this Section, result in the release or discharge by operation of laws of such guarantor from the performance or observance of any obligation, covenant, or agreement contained in this Master Trust Indenture.

**SECTION 4.05 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, (a) all taxes, assessments, and other governmental charges lawfully levied or assessed or imposed upon it or upon its income, profits, or property, and (b) 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, such Person shall have established and shall maintain adequate reserves on its books for the payment of the same and such property is not jeopardized as a result of nonpayment.

**SECTION 4.06 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

43

provide a brief explanation of the basis for such determination to each Required Information Recipient.

**SECTION 4.09 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.

**SECTION 4.10 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. Except in the case of self-insurance or a multi-provider risk retention group described below, all insurance provided shall be maintained with an insurer rated "A-" or higher by A.M. Best & Company or by Standard & Poor's; provided, however if insurance at such rating level is not available or is not available at commercially reasonable rates as certified by an Insurance Consultant engaged by the Obligated Group Representative, the Obligated Group Representative shall procure such insurance as certified by such Insurance Consultant to be at commercially reasonable premiums and terms and at a rating level that is reasonable in relation to the premium. 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 or a multi-provider risk retention group and at least once every Fiscal Year with respect to self-insurance (commencing with its Fiscal Year ending December 31, 2020), 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.

Naming of the Master Trustee as an insured or additional insured under any insurance policy, or the furnishing to the Master Trustee of information relating thereto, shall not impose upon the Master Trustee any responsibility or duty to approve the form of such policy, the level of coverage, compliance with the requirements of the Master Trust Indenture, the qualifications of the company issuing same or any other matters relating thereto.

**SECTION 4.11 RATES AND CHARGES.** (a) Each Member covenants and agrees to operate its Facilities on a revenue producing basis (if applicable to the nature of the Member's facilities) 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 hereunder to the extent permitted by law. Each Member further covenants and agrees that it will from time to time as often as necessary and to

45

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.

**SECTION 4.07 CORPORATE EXISTENCE; STATUS OF OBLIGATED GROUP.** (a) Subject to Section 5.01 hereof, each Obligated Group Member will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate or limited liability company existence, rights (charter and statutory), and franchises; provided, however, that no Person shall be required to preserve any right or franchise if the Governing Body of such Person shall determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Obligations.

(b) Each Obligated Group Member's exact legal name is correctly set forth at the beginning of this Master Trust Indenture, and each Obligated Group Member is an organization of the type specified in the first paragraph of this Master Trust Indenture. Each Obligated Group Member is formed or incorporated in or organized under the laws of the State of New York. No Obligated Group Member will cause or permit any change to be made in its name or identity unless the Obligated Group Representative shall have first notified the Master Trustee in writing of such change at least 30 days prior to the effective date of such change, and shall have first taken all action required by applicable law for the purpose of perfecting or protecting the lien and security interest of the Master Trustee created hereby or by the Mortgage. Each Obligated Group Member's principal place of business and chief executive office, and the place where such Obligated Group Member keeps its books and records, including recorded data of any kind or nature, regardless of the medium or recording, including software, writings, plans, specifications and schematics, has been for the preceding two months and will continue to be 1500 Portland Ave., Rochester, NY 14621 (unless the Master Trustee is notified in writing at least 30 days prior to the date of such change).

(c) Each Obligated Group Member covenants and agrees to take all action necessary to preserve its status as an organization described in Section 501(c)(3) of the Code or a disregarded entity of an organization described in Section 501(c)(3) of the Code.

**SECTION 4.08 PRESERVATION OF QUALIFICATIONS.** Each Obligated Group Member will not allow any permit, right, license, franchise or privilege so long as it is necessary for the ownership or operation of the Trust Estate to lapse or be forfeited. If an Obligated Group Member becomes a provider of services under and a participant in the Medicare program or any successor program thereto or any program by a federal, state or local government providing for payment or reimbursement for services rendered for health care, such Obligated Group Member shall use its commercially reasonable efforts to remain fully qualified as a provider of services and a participant in such program; provided, however, that no Obligated Group Member shall be required to maintain any such qualification if (a) the Governing Body of such Person shall determine that the maintenance of such qualification is not in the best economic interest of such Person, and (b) at least 30 days prior to the discontinuance of such qualification, such Person shall

44

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 under Section 4.15 hereof.

(b) If the Historical Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year commencing with 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 and notify the Master Trustee in writing of the selection within 30 days following the calculation described herein, and shall engage a Consultant in accordance with Section 4.21 hereof 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 the applicable required level set forth above for the following Fiscal Year.

(c) 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 Section shall not be construed to prohibit any Member from serving indigent residents to the extent required for such Member to continue its qualification as a Tax-Exempt Organization (as applicable) or from serving any other class or classes of residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section.

(d) 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 shall not be obligated to require the Obligated Group to select a Consultant to make such recommendations if: (i) 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 Section, and such report is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; (ii) 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 (iii) 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.

46

(e) Notwithstanding any other provisions of this Master Trust Indenture, an Event of Default arising with respect to the failure to achieve the required Historical Debt Service Coverage Ratio shall only occur if one or more of the following conditions applies:

(1) the Obligated Group (A) fails to achieve the Historical Debt Service Coverage Ratio set forth in subsection (b) above for any Fiscal Year, and (B) fails to take all necessary action to comply with the procedures described under this Section for preparing a report, adopting a plan, and following all recommendations contained in such report or plan to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law; or

(2) the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for two (2) consecutive Fiscal Years.

(f) Notwithstanding any other provisions of this Master Trust 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 the project or projects 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 this Section 4.11 until the first full Fiscal Year following the later of (i) the estimated completion of the 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 project set forth in the Consultant's report described in paragraph (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, further, however, that in the event a Consultant's report is not required to incur such Additional Indebtedness, the Obligated

47

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:

(1) 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;

(2) 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

(3) 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.

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 that financed or refinanced the affected Facilities. 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 that financed or refinanced the affected Facilities. To the extent that there are no Obligations Outstanding that financed or refinanced the affected Facilities, 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 other Obligations.

(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 this Section 4.12 and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subparagraph (b) of this Section.

To the extent that the affected Facilities were financed or refinanced with proceeds of Related Bonds, each Member acknowledges and understands that failure to apply the Net Proceeds

49

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 Section 4.15 hereof 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.

**SECTION 4.12 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 (provided, if the damaged or destroyed Facilities were financed with proceeds of any Related Bonds the Related Bond Trustee shall receive an Opinion of Bond Counsel to the effect that the use of the Net Proceeds in such manner will not adversely affect, 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), 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

48

of insurance as provided in this Section 4.12 (and in any tax compliance or similar agreement for the Related Bonds) can adversely affect the tax-exempt status of the interest on such Related Bonds.

Notwithstanding the foregoing, the proceeds of business interruption insurance are not subject to the provisions of this Section.

**SECTION 4.13 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 (a) restore, replace or repair the condemned Facilities, (b) acquire or construct additional capital assets for any one or more Members (provided, if the condemned Facilities were financed with proceeds of any Related Bonds the Related Bond Trustee shall receive an Opinion of Bond Counsel to the effect that the use of the Net Proceeds in such manner will not adversely affect, 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), or (c) 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:

(1) 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, or improvement;

(2) the Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such restoration, replacement,

50



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

(3) 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.

(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 that financed or refinanced the affected Facilities. 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 that financed or refinanced the affected Facilities. To the extent that there are no Obligations Outstanding that financed or refinanced the affected Facilities, such Member may elect to have all of the Net Proceeds of such award applied to the prepayment of other Obligations.

(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 this Section 4.13 and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subparagraph (b) of this Section.

To the extent that the affected Facilities were financed or refinanced with proceeds of Related Bonds, each Member acknowledges and understands that failure to apply the Net Proceeds of a condemnation or similar award as provided in this Section 4.13 (and in any tax compliance or similar agreement for the Related Bonds) can adversely affect the tax-exempt status of the interest on such Related Bonds.

**SECTION 4.14 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 (or to have the same applied) pursuant to Sections 4.12 and 4.13 hereof. If any Member elects to proceed under either Section 4.12(a) or (c) hereof or 4.13(a) or (c) hereof, any amounts in respect of such Net Proceeds not so paid to such Member shall be used to prepay Obligations on a pro rata basis among all Obligations Outstanding.

**SECTION 4.15 FINANCIAL STATEMENTS, ETC.** (a) The Members covenant that 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 accounting principles

51

Coverage Ratio of the Obligated Group is at least 1.00:1 and Days Cash on Hand is at least equal to the applicable Liquidity Requirement.

(2) Within 150 days of the end of each Fiscal Year, commencing with the Fiscal Year commencing January 1, 2019, an annual audited financial report of the Obligated Group prepared by Accountants (which such audited financial report may be an audited financial report of the Obligated Group Representative which contains schedules showing the required financial information for the Obligated Group), 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, together with a separate written statement of the Accountants preparing such report (or another firm of Accountants) containing calculations of the Obligated Group's Historical Debt Service Coverage Ratio and Days Cash on Hand at the end of such Fiscal Year and a statement that such Accountants have no knowledge of any default under this Master Trust Indenture insofar as it relates to accounting matters or to the Obligated Group's financial covenants, 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.

(3) On or before the date of delivery of the financial reports referred to in subsection (b)(2) above, an Officer's Certificate of the Obligated Group Representative (A) stating that the Obligated Group is in compliance with all of the terms, provisions and conditions of this Master Trust Indenture, any Related Loan Agreement, and any Related Bond Indenture or, if not, specifying all such defaults and the nature thereof, (B) calculating and certifying Days Cash on Hand, the Historical Debt Service Coverage Ratio and occupancy, as of the end of such month or Fiscal Year, as appropriate, (C) reporting the number of stars awarded to the Facilities pursuant to the Centers for Medicare and Medicaid Services Five-Star Quality Rating System, and (D) certifying that the UCC-1 Financing Statements filed with the New York State Secretary of State to perfect the security interest in the Trust Estate granted to the Master Trustee hereunder are in full force and effect and disclosing the expiration date of such financing statements.

(4) On or before the date of delivery of the financial reports referred to in subsections (b)(1) and (2) above, a management's discussion and analysis of results for the applicable fiscal period.

(5) Copies of (A) any board approved revisions to an Annual Budget provided pursuant to subsection (a) above, or (B) any correspondence to or from the Internal Revenue Service concerning the status of each Member of the Obligated Group which is an organization described in Section 501(c)(3) of the Code or with respect to the tax-exempt status of any Related Bonds, promptly upon receipt.

(6) 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;

53

consistently applied except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (b) below. 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 4.15 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, in the opinion of the Accountant, 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 this Master Trust Indenture. At least fifteen (15) days prior to the first day of each Fiscal Year, each Obligated Group Member will prepare an Annual Budget for the following Fiscal Year. If any Obligated Group Member fails to prepare an Annual Budget for any Fiscal Year, the Annual Budget for the preceding Fiscal Year for such Obligated Group Member will continue until the Annual Budget is prepared for the remainder of the applicable Fiscal Year. Each Annual Budget shall be provided by the Obligated Group Representative to each Required Information Recipient.

(b) The Obligated Group Representative will furnish or cause to be furnished to each Required Information Recipient (and the Master Trustee shall have no duty or obligation to review or examine the contents thereof), all of the following:

(1) Commencing with the fiscal quarter ending December 31, 2019, quarterly unaudited financial statements of the Obligated Group (which such unaudited financial statements may be unaudited financial statements of the Obligated Group Representative which contain schedules showing the required financial information for 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, a combined or combining balance sheet as of the end of each such fiscal quarter, and a calculation of Days Cash on Hand, Historical Debt Service Coverage Ratio and occupancy, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative in an Officer's Certificate. Such financial statements and calculations shall be accompanied by comparisons to the Annual Budgets and a summary of (A) occupancy by each level of care (on a units available/units occupied/percentage occupied basis), and (B) payor mix in the Skilled Nursing Beds.

If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.00:1 and Days Cash on Hand of the Obligated Group is less than the Liquidity Requirement on a Testing Date as provided herein, the Obligated Group will deliver the financial information and the calculations described in the above paragraph on a monthly basis within 45 days of the end of each month until the Historical Debt Service

52

provided, however, to the extent that the Additional Indebtedness is used to construct additional units at the Facilities, the Obligated Group Representative will provide monthly reports (A) 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 (B) reconciling the amount of construction contingency remaining and the uses of the contingency funds to date.

(c) The Members also agree that, within 10 days after its receipt thereof, the Obligated Group Representative will file with the Required Information Recipients a summary of each Consultant's final report or counsel's opinion required to be prepared under the terms of this Master Trust Indenture.

(d) The Obligated Group Representative shall 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.

(e) Without limiting the foregoing, each Member will permit, upon reasonable notice, the Master Trustee or any such Related Bond Trustee (or such persons as they may designate) to visit and inspect, at the expense of such Person, 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.

(f) 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 after they are available, but in no event more than 150 days after the last day of such Interim Period, a financial report for such Interim Period certified by 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 containing a calculation of the Obligated Group's Historical Debt Service Coverage Ratio for the Interim Period 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 this Master Trust Indenture, or if such Accountants shall have obtained knowledge of any such default or defaults, they shall disclose in such statement the default or

54

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).

(g) Delivery of such reports, information and documents described in this Section 4.15 to the Master Trustee is for informational purposes only, and the Master Trustee's receipt thereof shall 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 hereunder, as to which the Master Trustee is entitled to rely exclusively on Officer's Certificates.

**SECTION 4.16 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 4.16 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:

(1) 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 this Master Trust Indenture, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group was not less than 1.30:1; or

(2) (A) an Officer's Certificate to the effect that for the most recent Fiscal Year or four consecutive quarters for which audited financial statements have been filed with the Master Trustee as required by this Master Trust Indenture, the Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.30:1; and (B) a written report of a Consultant (prepared in accordance with industry standards) to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group will be not less 1.35:1 for the first full Fiscal Year following the later of (1) the estimated completion of the development, marketing, acquisition, construction, renovation or replacement of the facilities 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

55

(1) (A) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution or bond insurer or surety generally regarded as responsible, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12 month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and (B) the conditions set forth in subsection (a) above are met for any Fiscal Year in which 25% or more of the original principal amount of such Balloon Indebtedness comes due when it is assumed that (1) the portion of Balloon Indebtedness coming due in such Fiscal Year matures over 30 years from the date of issuance of the Balloon Indebtedness, bears interest on the unpaid balance at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years, or (2) the portion of Balloon Indebtedness coming due in such Fiscal Year matures according to its actual principal amortization schedule, bears interest on the unpaid balance at the Projected Rate, but this clause (2) shall only be used if the amortization of all Indebtedness of the Obligated Group outstanding, when the Balloon Indebtedness debt service being calculated is calculated according to this subsection (c), varies no more 10% per year; or

(2) the aggregate principal amount of all Balloon Indebtedness issued pursuant to this subsection (e) does not 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, and the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of this subsection (e)(2), and subsections (d), (f)(3), (l) and (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; or

(3) the Balloon Indebtedness to be incurred has a remaining term of five years or greater beginning in such Fiscal Year, and

(A) the Member incurring such Balloon Indebtedness establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each Fiscal Year that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness;

(B) such Member agrees in such Officer's Certificate to deposit each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and

57

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 a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated loans from Affiliates or bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an independent architect or other expert, as the case may be, referred to in (ii) above.

(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 (i) attributable to Short Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors, and (ii) 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 if:

56

(C) the conditions described in subsection (a) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule.

(f) Put Indebtedness if:

(1) the amount of such Put Indebtedness does not 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 and the conditions set forth in subsection (a) above are met with respect to such Put Indebtedness when it is assumed that (A) such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years commencing with the next succeeding Put Date, or (B) such Put Indebtedness bears interest at the Projected Rate and is payable according to its actual principal amortization schedule, but this subsection (B) shall only be used if the debt service of all Indebtedness of the Obligated Group outstanding, when the Put Indebtedness debt service being calculated is calculated according to this subsection (B), varies no more than 10% per year;

(2) (A) there is in effect at any time such Put Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution or bond insurer or surety generally regarded as responsible, to provide financing sufficient to pay the principal amount of such Put Indebtedness on any Put Date, and (B) the conditions set forth in subsection (a) are met for any Fiscal Year in which 25% or more of the original principal amount of such Put Indebtedness may come due when it is assumed that (1) the portion of Put Indebtedness which may come due in such Fiscal Year matures over 30 years from the date of issuance of the Put Indebtedness, bears interest on the unpaid balance at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years, or (2) the portion of Put Indebtedness which may come due in such Fiscal Year matures according to its actual principal amortization schedule, bears interest on the unpaid balance at the Projected Rate, but this subsection (2) shall only be used if the amortization of all Indebtedness of the Obligated Group outstanding, when the Balloon Indebtedness debt service being calculated is calculated according to this subsection (2), varies more than 10% per year; or

(3) the aggregate principal amount of all Put Indebtedness issued pursuant to this subsection (f) does not exceed 10% 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, and the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of this subsection (3), and subsections (d), (e)(2), (l) and (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.

(g) Liabilities for contributions to self-insurance or shared or pooled risk insurance programs required or permitted to be maintained under this Master Trust Indenture.

58

(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.

(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 4.16, 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 subsections (d), (e)(2), (f)(3), (l) 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.

It is agreed and understood by the parties hereto that 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).

Each Member covenants that 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 in the ordinary course of business, based on applicable industry standards and taking into consideration the size and type of the facility, without being contested in good faith and by appropriate proceedings.

59

In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of this Master Trust 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 (or, with respect to Indebtedness that is being incurred or that has not been outstanding for at least 12 full calendar months, would have been in effect had such Indebtedness been outstanding) 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 Section 4.16 hereof shall not be treated separately as Additional Indebtedness from the Indebtedness secured thereby in a manner which would require such Indebtedness to be included more than one time in the calculations performed under this Master Trust Indenture.

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.

Balloon Indebtedness incurred as provided under subsection (b) or (n) of Section 4.16 hereof, unless reclassified pursuant to this Section 4.17, shall be deemed to be payable in accordance with the assumptions set forth in subsection (e)(1)(B) of Section 4.16 hereof. Put Indebtedness incurred as provided under subsection (b) or (n) of Section 4.16 hereof, unless reclassified pursuant to this Section 4.17, shall be deemed to be payable in accordance with the assumptions set forth in subsection (f)(1) of Section 4.16 hereof.

61

Each Member covenants that 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 Master Note No. 1, it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection of this Section 4.16 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 4.16.

Each Member agrees that, prior to incurring Additional Indebtedness for money borrowed from or credit extended by entities other than issuers of Related Bonds, 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 to the effect that, to such Independent 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 Independent 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 provisions of this Master Trust Indenture notwithstanding, 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 Mortgage or pursuant to a mortgage in substantially the form of the Mortgage and such assets and real estate are not subject to any other Lien except for Permitted Encumbrances.

**SECTION 4.17 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 this Master Trust Indenture shall be delivered to the Master Trustee in an Officer's Certificate and made in a manner consistent with that adopted in Section 4.16 hereof and in this Section 4.17. In the case of Balloon or Put Indebtedness issued pursuant to subsection (b), (e), (f) or (m) of Section 4.16 hereof, unless such Indebtedness is reclassified pursuant to this Section 4.17 as having been issued pursuant to another subsection of Section 4.16 hereof, 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, not taking into account such put option.

60

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 this Master Trust 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.

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 Obligated Group Member in connection with such Subsidy Bonds during the applicable time period; provided, however, that to avoid double counting in such instance, the Federal Subsidy Payments shall be excluded from the calculation of Revenues in any related tests.

Each Member may elect to have Indebtedness issued pursuant to one provision of Section 4.16 hereof, including without limitation subsection (n) of Section 4.16 hereof, reclassified as having been incurred under another provision of Section 4.16 hereof, 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 three highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account 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 this Master Trust Indenture.

62

A revolving line of credit or line of credit may be deemed to be fully drawn on the date of issuance and amortized in accordance with such agreement or if no amortization schedule is provided under such agreement or if it would be Balloon Indebtedness, then it shall be amortized in accordance with the assumption set forth in subsection (e)(1)(B) of Section 4.16 hereof.

**SECTION 4.18 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 (either real or personal property, including Cash and Investments) 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 consistent with past practice and 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 shall be transferred by a Member of the Obligated Group to any other Member unless the Related Bond Trustee has received an Opinion of Bond Counsel to the effect that such transfer will not adversely affect, 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 to the moneys to be used for such transfer using, at the option of the Obligated Group Representative, either (A) the current budgeted investment rate identified in the Annual Budget with respect to such Member, or (B) the actual average investment rate on the transferred funds, each 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

63

Section 4.18(d) above) have been satisfied, the rights, title, liens, security interests and assignments herein granted shall cease, determine and be void as to such property only and the lien of this Master Trust Indenture shall be released by the Master Trustee as to such property in due form at the expense of the Obligated Group Members.

**SECTION 4.19 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 as a Permitted Encumbrance (as provided in clause (b) of the definition thereof) and therefore be permitted if:

(1) such Lien secures Non-Recourse Indebtedness; or

(2) (A) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection (2)(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 Section 4.16(a) are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

**SECTION 4.20 LIQUIDITY COVENANT.** The Obligated Group covenants that it will calculate the Days Cash on Hand of the Obligated Group as of June 30 and December 31 of each Fiscal Year, commencing with December 31, 2019 (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 Section 4.15 hereof.

Each Obligated Group Member is required to conduct its business so that on each Testing Date the Obligated Group shall have no less than 75 Days Cash on Hand (the "Liquidity Requirement").

If the Days Cash on Hand 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 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 Days Cash on Hand to the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised the level of Days Cash on Hand 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 receipt of the Officer's Certificate disclosing such deficiency, select a Consultant in accordance with Section 4.21 hereof 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

65

under Section 4.15 hereof, the Obligated Group had not less than 120 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 150 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 200 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 250 after the effect of such sale, lease or disposition of assets; or

(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.

For purposes of this Section 4.18, 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 4.18, 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 4.18 with respect to the remaining value, if any, 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.

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 Section 4.11 hereof, or (B) if a Consultant has been retained in the circumstances described in Section 4.11 hereof, 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 (g) 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.

Upon Request of the Obligated Group Representative accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent for the disposition of such property set forth in this Section 4.18 (other than the condition precedent set forth in

64

affecting its financial condition in order to increase Days Cash on Hand 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 after the date such Consultant is actually engaged. 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 this Master Trust Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Testing Date shall not constitute an Event of Default under this Master Trust 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.

**SECTION 4.21 APPROVAL OF CONSULTANTS.** (a) If at any time the Members of the Obligated Group are required to engage a Consultant under Sections 4.11 or 4.20 hereof, such Consultant shall be engaged in the manner set forth in this Section 4.21.

(b) Upon selecting a Consultant as required under the provisions of this Master Trust Indenture, the Obligated Group Representative will notify the Master Trustee in writing 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 this Master Trust 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 this Master Trust 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 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 been deemed to 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 33.4% or more 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 of this Section 4.21.

(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 been deemed to have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the

66

Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the owners of the Related Bonds outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with the procedures of this Section 4.21.

The 15-day notice period described in (b) above may be extended 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 this Section 4.21.

#### SECTION 4.22 MANAGEMENT; APPROVAL OF SUCCESSOR

**MANAGER.** (a) The Obligated Group covenants to provide for management of the Facilities through competent and qualified persons having experience in the management of senior living facilities and related healthcare facilities similar to the Facilities. Any contract with a manager shall provide that such contract may be terminated by the Obligated Group Representative upon advance written notice based on industry standards. While any Obligations with respect to tax-exempt Related Bonds are Outstanding, the Obligated Group shall not enter into any management contract or contract for services at the Facilities unless (a) the contract complies with Internal Revenue Service Revenue Procedure 2017-13 for any management contract that is entered into on or after January 17, 2017, or, at the option of the Obligated Group Representative, to any management contract that was entered into before January 17, 2017, (b) the contract complies with Internal Revenue Service Revenue Procedure 97-13, as modified by Revenue Procedure 2001-39 and amplified by Notice 2014-67, for a management contract that is entered into before August 18, 2017 and that is not materially modified or extended on or after August 18, 2017 (other than pursuant to a renewal option as defined in Section 1.141-1(b) of the Income Tax Regulations), or (c) the Obligated Group Representative delivers to the Master Trustee an Opinion of Bond Counsel to the effect that the execution of such contract will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Related Bonds outstanding issued as tax-exempt bonds.

(b) The Obligated Group agrees that the fees of the manager shall be deferred unless:

- (i) all payments then required hereunder have been made; and
- (ii) no Event of Default shall have occurred and shall be continuing.

Any amount of the management fee not permitted to be paid pursuant to the above limitations shall be deferred, without interest, until the next succeeding quarterly payment date on which the conditions described in clauses (i) and (ii) above permit payment of such amounts. The foregoing limitations shall not, however, be construed to prohibit the payment or reimbursement of salaries of key personnel working at the Facilities, or payment for the cost of services provided to the Obligated Group by personnel at the manager's home office.

(c) If at any time the Obligated Group Representative appoints an independent management company or any successor thereto to manage all or a substantial portion of the

67

**SECTION 4.23 SECURITIES RATING COVENANT.** The Obligated Group Representative covenants that it will seek a rating of the Series 2019 Bonds from any Rating Agency each year after a determination is made by the Obligated Group Representative, in consultation with its investment banker or another qualified entity, that an investment grade rating is reasonably obtainable, until achievement of an investment grade rating, provided that if during any such year the Obligated Group Representative receives a preliminary indication from such Rating Agency that the Series 2019 Bonds will not be assigned an investment grade rating, the Obligated Group Representative shall withdraw such rating request for such year.

**SECTION 4.24 DRAWS ON LIMITED SUPPORT AGREEMENT.** During the term of the Limited Support Agreement, the Obligated Group Representative covenants that it will request funds from the Foundation in accordance with the terms of the Limited Support Agreement:

(a) if, prior to the date when the New Money Project is complete, no moneys are on deposit in the Project Fund under the Indenture (other than any amounts on deposit therein that have been previously committed to pay New Money Project costs); and

(b) if at any time an Obligated Group Member needs money for payment of working capital expenses, capital costs other than New Money Project costs or operating expenses, and no moneys are otherwise available to such Obligated Group Member at that time to pay such amounts.

#### ARTICLE V CONSOLIDATION, MERGER, CONVEYANCE AND TRANSFER

##### SECTION 5.01 MERGER, CONSOLIDATION, SALE OR CONVEYANCE.

(a) 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:

(1) 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 Outstanding Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Trust Indenture to be kept and performed by such Member;

(2) 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 documents delivered in connection with any Indebtedness including, without limitation, Related Bond Indentures, Related Loan Agreements and Credit Facilities, or this Master Trust Indenture;

69

Facilities (a "Successor Manager"), the Successor Manager shall be engaged in the manner set forth in this Section 4.22.

(d) Upon selecting a Successor Manager as required under the provisions of this Master Indenture, the Obligated Group Representative will notify the Master Trustee of such selection. The Master Trustee shall, as soon as practicable but in no case longer than five (5) Business Days after receipt of notice, notify the Holders of all Obligations Outstanding under this Master Indenture of such selection. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include the name of the Successor Manager, (ii) state the reason that the Successor Manager is being engaged, (iii) state the date of a conference call (the "Successor Manager Conference Call"), to be held no later than five (5) Business Days thereafter, between the Obligated Group Representative and Holders of all Obligations Outstanding wherein the Obligated Group Representative shall describe the process that was undertaken for the selection of the Successor Manager and the reasons for the selection of that particular Successor Manager; and (iv) state that the Holder of the Obligation will be deemed to have consented to the selection of the Successor Manager named in such notice and discussed on the Successor Manager Conference Call unless such Holder submits an objection to the selected Successor Manager in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within seven Business Days of the date of the Successor Manager Conference Call. No later than two (2) Business Days after the end of the seven (7) Business Days period following the Successor Manager Conference Call, the Master Trustee shall notify the Obligated Group of the number of objections. If the Holders of a majority in aggregate principal amount of the Outstanding Obligations have been deemed to have consented to the selection of the Successor Manager or have not responded to the request for consent, the Obligated Group Representative shall engage the Successor Manager within three (3) Business Days. If the Holders of a majority in aggregate principal amount of the Obligations Outstanding have objected to the Successor Manager selected, the Obligated Group Representative shall select another Successor Manager which may be engaged upon compliance with the procedures of this Section 4.22.

(e) 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 (d) above to the registered owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the Holder of an Obligation securing such Related Bonds, consent or object to the selection of the Successor Manager in accordance with the response of the registered owners of such Related Bonds. If the registered owners of a majority in aggregate principal amount of the Related Bonds have been deemed to have consented to the selection of the Successor Manager 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 Successor Manager. If the registered owners of a majority in aggregate principal amount of the Related Bonds outstanding have objected to the Successor Manager selected, the Related Bond Trustee shall notify the Master Trustee that it objects to the Successor Manager selected.

The seven (7) Business Days' notice period described in (d) above may be extended by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds seven (7) Business 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 this Section 4.22.

68

(3) 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 1.30:1 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 Section 4.20 hereof of this Master Trust 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 equal to or greater than such calculation would be immediately prior to such merger or consolidation, sale or conveyance; and

(4) 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 Counsel to the effect that the merger or consolidation complies with this Master Trust Indenture and under then existing law the consummation of such merger, consolidation, sale or conveyance would not, in and of itself, adversely affect the validity of such Related Bonds and an Opinion of Bond Counsel that such consolidation, sale or conveyance, will not with respect to any Related Bonds the interest on which is tax-exempt, adversely affect the exclusion of interest on such Related Bonds from gross income of the owners thereof for federal income tax purposes.

(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 in Section 6.01 hereof 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 Outstanding 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 hereunder shall in all respects have the same legal rank and benefit under this Master Trust Indenture as Obligations theretofore or thereafter issued in accordance with the terms of this Master Trust 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.

(d) Notwithstanding anything to the contrary contained herein, an Obligated Group Member may establish a single member limited liability company of which it is the sole member or establish one or more corporations that at such time as it becomes a Member of the Obligated Group has no liabilities, including, without limitation, liabilities or obligations in tort, in contract, at law, in equity or otherwise, into which it may transfer all or a portion of the Mortgaged Property or any other tangible or intangible assets, so long as (i) such Person is organized and existing under the laws of the United States of America or a state thereof, (ii) such Person shall execute and deliver to the Master Trustee a Supplement in a form acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Representative, containing the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of this Master Trust Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 6.03 hereof) to jointly and severally make payments upon each Obligation, (iii) there shall be delivered an Opinion of Counsel in form and substance acceptable to the Master Trustee to the effect that (A) the instrument described in clause (ii)(A) and (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 (B) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (C) the Mortgage continues to create a valid lien in favor of the Master Trustee against the portion of the Mortgaged Property consisting of interests in real property, (iv) there shall be delivered to the Master Trustee an Opinion of Bond Counsel that with respect to any Related Bonds the interest on which is tax-exempt, that such actions will not adversely affect the exclusion of interest on such Related Bonds from gross income of the owners thereof for federal income tax purposes, and (v) and upon completion of such transactions contemplated under this paragraph (d) the Obligated Group Representative will promptly furnish or cause to be furnished to each Required Information Recipient (and the Master Trustee shall have no duty or obligation to review or examine the contents thereof) notice of such transaction and the names of such newly established limited liability company and/ or corporation(s) and confirming that all appropriate action has been taken to continue the perfection of the security interest in the Mortgage and other collateral comprising the Trust Estate.

(e) The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Master Trust Indenture summarized under this Section 5.01.

#### ARTICLE VI MEMBERSHIP IN THE OBLIGATED GROUP

**SECTION 6.01 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 in a form acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated

71

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.

**SECTION 6.02 OBLIGATED GROUP MEMBERS.** Upon any Person's becoming an Obligated Group Member as provided in Section 6.01:

- (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 arising by subrogation by any Obligated Group Member against any other Obligated Group Member caused by the payment of Indebtedness 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.

**SECTION 6.03 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 this Master Trust Indenture to cease to be a Member of the Obligated Group unless:

- (a) prior to cessation of such status, there is delivered to the Master Trustee an Opinion of 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 and an Opinion of Bond Counsel that it will not, with respect to any Related Bond the interest on which is tax-exempt, adversely affect the exclusion of interest on such Related Bonds from gross income of the owners thereof for federal income tax purposes;
- (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 1.30:1 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 of Section 4.20 hereof for the most recent quarter after adjustment for the removal of the Member, or that

73

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 this Master Trust Indenture, and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 6.03 hereof) 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 1.30:1, 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 of Section 4.20 hereof based on the most recent quarterly financial statements delivered to the Master Trustee pursuant to Section 4.15 hereof 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 in form and substance acceptable to the Master Trustee to the effect that (x) the instrument described in Section 6.01(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, in of itself, adversely affect the validity of any Related Bonds or any exemption from federal or state income taxation of interest payable on such Related Bonds otherwise entitled to such exemption; provided that in making the calculation called for by subsection (d)(i) above, (x) there shall be excluded from Revenues any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs, and (y) there

72

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 to the effect that the cessation by such Member of its status as a Member will not, in of itself, adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status;

(d) prior to such cessation of such status there is delivered to the Master Trustee evidence from each Rating Agency then maintaining a rating on any series of Related Bonds to the effect that the cessation of such status will not result in a lower rating on such series of Related Bonds;

(e) any Liens in favor of the withdrawing Member on the Property of a remaining Member is released and satisfied unless such Lien constitutes a Permitted Encumbrance after the withdrawing Member is no longer a Member; and

(f) prior to cessation of such status, the Obligated Group Representative and each Member, consents in writing to the withdrawal by such Member.

#### SECTION 6.04 SUCCESSOR OBLIGATED GROUP REPRESENTATIVE.

The Parent shall serve as the Obligated Group Representative until such time as another Person is designated as the Obligated Group Representative pursuant to a written notice executed by the Obligated Group Representative and all of the Obligated Group Members. The Parent covenants to fulfill all of the duties of the Obligated Group Representative under this Master Trust Indenture. The Parent agrees that it shall not resign as Obligated Group Representative until the Obligated Group 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 this Master Trust Indenture, including, but not limited to, binding all Obligated Group Members to joint and several liability on all Obligations incurred hereunder, and authorizes the Obligated Group Representative to exercise such powers and carry out such duties.

#### ARTICLE VII REMEDIES OF THE MASTER TRUSTEE AND HOLDERS OF SECURED OBLIGATIONS IN EVENT OF DEFAULT

**SECTION 7.01 EVENTS OF DEFAULT.** Event of Default, as used herein, shall mean any of the following events, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to

74

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 it becomes due and payable at its 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 shall fail duly to observe or perform any other covenant or agreement (other than a covenant or agreement whose performance or observance is elsewhere in this Section 7.01 specifically dealt with) on the part of such Person contained in this Master Trust Indenture for a period of 45 days after the date on which written notice of such failure, requiring the same to be remedied, shall have 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 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 shall 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 shall have been entered adjudging any Obligated Group Member as 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 shall have 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, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(d) any Obligated Group Member shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its Trust Estate, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or action shall be taken by the Governing Body of any Obligated Group Member in furtherance of any of the aforesaid purposes; or

(e) any Obligated Group Member shall fail to pay or make provision for payment of any recourse Indebtedness (other than Subordinated Indebtedness owed to an Affiliate of the Obligated Group Member) having a principal balance of not less than \$100,000 and the continuance of such failure beyond the applicable grace period, if any; or

(f) the Master Trustee has received written notice that an event of default, as therein defined, under any instrument under which Obligations may be incurred or secured, including, without limitation, Related Bond Indentures, Related Loan Agreements, Credit Facilities, the

75

**SECTION 7.03 POWERS OF SALE, TRANSFER, ASSIGNMENT, LEASE, AND OTHER DISPOSITIONS; SUITS FOR ENFORCEMENT.** In case an Event of Default shall occur and be continuing, the Master Trustee, in its discretion may, subject to the provisions of Section 7.17 hereof:

(a) foreclose the Mortgage or any mortgage or deed of trust delivered pursuant to Section 4.16 hereof;

(b) protect and enforce its rights and the rights of the Master Trustee and Holders under this Master Trust Indenture by sale pursuant to judicial proceedings or by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Master Trust Indenture or in aid of the execution of any power granted in this Master Trust Indenture or for the foreclosure of this Master Trust Indenture or for the enforcement of any other legal, equitable, or other remedy, as the Master Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Master Trustee; or

(c) as to all or part of the personal property (tangible or intangible) and fixtures included in the Trust Estate (such portion of the Trust Estate herein referred to as the "Collateral"):

(1) proceed under the New York Uniform Commercial Code and exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the New York Uniform Commercial Code, including, without limitation, the right and power to sell, at public or private sale or sales, or otherwise dispose of, lease, or utilize, the Collateral and any part or parts thereof in any manner authorized or permitted under the New York Uniform Commercial Code after default by a debtor, and, to the extent permitted by law, the Obligated Group Representative, on behalf of the Obligated Group, expressly waives any notice of sale or other disposition of the Collateral and any other rights and remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of the Master Trustee existing after default hereunder, and, to the extent any such notice is required and cannot be waived, the Obligated Group agrees that if such notice is mailed, postage prepaid, to the Obligated Group Representative at its address stated in Section 1.05 hereof at least ten days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice,

(2) take possession of the Collateral and enter upon any premises where the same may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and take any action deemed necessary or appropriate or desirable by the Master Trustee, at its option and in its discretion, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized,

(3) transfer at any time to itself or to its nominee the Collateral, or any part thereof, and receive the money, income proceeds, or benefits attributable or accruing thereto and hold the same as security for the Outstanding Obligations or apply same as herein provided, and

77

Mortgage or other documents delivered in connection with the issuance of Related Bonds, has occurred and is continuing beyond the applicable period of grace, if any.

**SECTION 7.02 ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.** If an Event of Default occurs and is continuing, then and in every such case 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) of Section 7.01 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 a notice in writing to the Obligated Group Representative and all of the Holders of Obligations (and to the Master Trustee if given by Holders of Obligations), and upon any such declaration such principal shall become 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 as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the affected Outstanding Obligations, by written notice to the Obligated Group Representative and the Master Trustee, shall 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 such declaration of acceleration and interest thereon at the rate borne by the Obligations, and

(3) all sums paid or advanced by the Master Trustee hereunder 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 Section 7.15 hereof.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

For all purposes of this Section 7.02, Obligations which secure Interest Rate Agreements shall be disregarded for purposes of determining the principal amount of Obligations the Holders of which are permitted to take an action hereunder.

76

(4) require the Members to assemble the Collateral and make it available to the Master Trustee at a place to be designated by the Master Trustee that is reasonably convenient to all parties.

The Master Trustee shall be fully subrogated to the rights of all vendor's lienholders and other lienholders whose indebtedness is paid in whole or in part from proceeds of Obligations.

The filing of a suit to foreclose any security interest hereunder shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of such a suit.

**SECTION 7.04 INCIDENTS OF SALE.** Upon any sale of any of the Trust Estate, whether made under the power of sale hereby given or pursuant to judicial proceedings, to the extent permitted by law:

(a) any Holder or Holders of Obligations or the Master Trustee may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain, and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Obligations or claims for interest thereon in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Obligations, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show partial payment;

(b) the Master Trustee may make and deliver to the purchaser or purchasers a good and sufficient bill of sale, and instrument of assignment and transfer of the property sold;

(c) the Master Trustee is hereby irrevocably appointed the true and lawful attorney of each Member, in its name and stead, to make all necessary deeds, bills of sale, and instruments of assignment and transfer of the property thus sold; and for that purpose it may execute all necessary deeds, bills of sale, and instruments of assignment and transfer, and may substitute one or more persons, firms, or corporation with like power, each Member hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof; but if so requested by the Master Trustee or by any purchaser, any Member shall ratify and confirm any such sale or transfer by executing and delivering the Master Trustee or to such purchaser or purchasers all proper deeds, bills of sale, instruments of assignment and transfer, and release as may be designated in any such request;

(d) rights, titles, interests, claims, and demands whatsoever, either at law or in equity or otherwise, of the Members of, in, and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against each of the Members and their respective successors and assigns, and against any and all persons claiming or who may claim the property sold or any part thereof by, through, or under the Members or their respective successors and assigns; and

(e) receipt of the Master Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at such sale for his or their purchase money and such purchaser or purchasers and his or their assigns or personal representative shall not, after paying

78

such purchase money and receiving such receipt, be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication, or non application thereof.

Upon a sale of substantially all the Trust Estate, whether made under the power of sale hereby granted or pursuant to judicial proceedings, the Obligated Group Representative will permit, to the extent permitted by law, the purchaser thereof and its successors and assigns to take and use the names of the Members and to carry on business under such name or any variant thereof and to use and employ any and all other trade names, brands, and trademarks of the Members; and in such event, upon written request of such purchaser, its successors, or its assigns, any Member will, at the expense of the purchaser, change its name in such manner as to eliminate any similarity.

**SECTION 7.05 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 installment 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, the whole amount then due and payable on such Obligations 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 thereto, such further amount as shall be sufficient 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 forthwith 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 obligor 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 obligor 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 shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Master Trust Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

If an Event of Default occurs and is continuing, the Master Trustee, as the beneficiary under the Mortgage, may in its discretion proceed to enforce its rights and seek any remedies available to it under the Mortgage.

79

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 this Master Trust Indenture, shall be applied in the order specified in Section 3.01 hereof, 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.

In the event the Master Trustee incurs expenses or renders services in any proceedings which result from the occurrence or continuance of an Event of Default under Section 7.01(c) or 7.01(d) hereof, or from the occurrence of any event which, by virtue of the passage of time, would become such Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

**SECTION 7.09 LIMITATION ON SUITS.** No Holder of any Obligation shall have any right to institute any proceeding, judicial or otherwise, with respect to this Master Trust Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, 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 aggregate principal amount of the Outstanding Obligations shall have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee hereunder;

(c) such Holder or Holders have offered to the Master Trustee indemnity satisfactory to it 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 aggregate 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 this Master Trust 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 this Master Trust Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Obligations.

81

**SECTION 7.06 MASTER TRUSTEE MAY FILE PROOFS OF CLAIM.** In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Obligated Group Members or any other obligor upon the Obligations or the property of the Obligated Group Members or of such other obligor or their creditors, the Master Trustee (irrespective of whether the principal of the Obligations shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Master Trustee shall have made any demand on the Obligated Group Members for the payment of overdue principal, premium, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Obligations and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel which shall be deemed an administrative claim) and of the Holders of Obligations allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator, custodian, or other similar official in any such judicial proceeding is hereby authorized by each Holder of Obligations to make such payments to the Master Trustee, and in the event that the Master Trustee shall consent to the making of such payments directly to the Holders of Obligations, to pay to the Master Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances of the Master Trustee, its agents and counsel, and any other amounts due the Master Trustee under this Master Trust Indenture which shall be deemed an administrative claim.

Nothing herein contained shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Obligations any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder of Obligations in any such proceeding.

**SECTION 7.07 MASTER TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF OBLIGATIONS.** All rights of action and claims under this Master Trust Indenture or the Obligations may be prosecuted and enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements, and advances of the Master Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Obligations in respect of which such judgment has been recovered.

**SECTION 7.08 APPLICATION OF MONEY COLLECTED.** Any money collected by the Master Trustee pursuant to this Article VII 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 this Master Trust Indenture, except any thereof subject to which such sale shall have been made), whether

80

**SECTION 7.10 UNCONDITIONAL RIGHT OF HOLDERS OF OBLIGATIONS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.** Notwithstanding any other provision in this Master Trust Indenture, the Holder of any Obligation shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 2.07 hereof) interest on such Obligation on the respective Stated Maturities expressed in such Obligation (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

**SECTION 7.11 RESTORATION OF RIGHTS AND REMEDIES.** If the Master Trustee or any Holder of Obligations has instituted any proceeding to enforce any right or remedy under this Master Trust Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Master Trustee or to such Holder of Obligations, then and in every such case the Obligated Group Members, the Master Trustee and the Holders of Obligations shall, subject to any court determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Master Trustee and the Holders of Obligations shall continue as though no such proceeding had been instituted.

**SECTION 7.12 RIGHTS AND REMEDIES CUMULATIVE.** No right or remedy herein conferred upon or reserved to the Master Trustee or to the Holders of Obligations is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**SECTION 7.13 DELAY OR OMISSION NOT WAIVER.** No delay or omission of the Master Trustee or of any Holder of any Obligation to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article VII or by law to the Master Trustee or to the Holders of Obligations may be exercised from time to time, and as often as may be deemed expedient, by the Master Trustee or by the Holders of Obligations, as the case may be.

**SECTION 7.14 CONTROL BY HOLDERS OF OBLIGATIONS.** The Holders of a majority in aggregate principal amount of the Outstanding Obligations shall have the right to direct in writing 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:

(a) such direction shall not be in conflict with any rule of law or with this Master Trust Indenture,

(b) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction;

82



(c) the Master Trustee shall not be required to act on any direction given to it pursuant to this Section until indemnity as set forth in Section 8.03(e) hereof is provided to it by such Holders; and

(d) the Master Trustee shall disregard all Obligations which secure Interest Rate Agreements for purposes of this Section 7.14.

**SECTION 7.15 WAIVER OF PAST DEFAULTS AND FUTURE COVENANT REQUIREMENTS.** The Holders of not less than a majority in aggregate principal amount of the Outstanding Obligations may on behalf of the Holders of all the Obligations waive any past default hereunder and its consequences (or future covenant requirements), except:

(a) a default or covenant requirement with respect to the payment of the principal of (or premium, if any) or interest on any Obligation, or

(b) a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Obligation affected.

Upon any such waiver, such default shall be deemed to have never occurred, and any Event of Default arising therefrom shall be deemed to have been cured *ab initio*, for every purpose of this Master Trust Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

For all purposes of this Section 7.15, Obligations securing Interest Rate Agreements shall be disregarded.

**SECTION 7.16 UNDERTAKING FOR COSTS.** All parties to this Master Trust Indenture agree, and each Holder of any Obligation by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Master Trust Indenture, or in any suit against the Master Trustee for any action taken or omitted by it as Master Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Master Trustee, to any suit instituted by any Holder of Obligations, or group of Holders of Obligations, holding in the aggregate more than 10% in principal amount of the Outstanding Obligations, or to any suit instituted by any Holder of Obligations for the enforcement of the payment of the principal of (or premium, if any) or interest on any Obligation on or after the respective Stated Maturities expressed in such Obligation (or, in the case of redemption, on or after the redemption date).

**SECTION 7.17 WAIVER OF STAY OR EXTENSION LAWS.** Each Obligated Group Member covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Master Trust Indenture; and each Obligated Group Member (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay, or impede the execution of any power herein

83

opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Master Trust Indenture.

(d) Whether or not therein expressly so provided, every provision of this Master Trust Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

**SECTION 8.02 NOTICE OF DEFAULTS.** Within 60 days after the occurrence of any default hereunder of which the Master Trustee is deemed to have knowledge as provided in Section 8.03(h) hereof, the Master Trustee shall transmit by mail to all Holders of Obligations, notice of such default, unless such default shall have been cured or waived; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Obligations or in the payment of any sinking or purchase fund installment, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Representatives of the Master Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Obligations; and provided, further, that in the case of any default of the character specified in Section 7.01(b) hereof no such notice to Holders of Obligations shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

**SECTION 8.03 CERTAIN RIGHTS OF MASTER TRUSTEE.** Except as otherwise provided in Section 8.01 hereof:

(a) The Master Trustee shall conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, coupon, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to verify the accuracy of any information or calculations required to be included therein or attached thereto;

(b) Any request or direction of any Person mentioned herein shall be sufficiently evidenced by a Request of such Person; and any resolution of the Governing Body of any Person may be evidenced to the Master Trustee by a Board Resolution of such Person;

(c) Whenever in the administration of this Master Trust Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) shall, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate;

(d) The Master Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

85

granted to the Master Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

## ARTICLE VIII CONCERNING THE MASTER TRUSTEE

### SECTION 8.01 DUTIES AND LIABILITIES OF MASTER TRUSTEE.

(a) Except during the continuance of an Event of Default, the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Trust Indenture and no implied covenants or obligations shall be read into this Master Trust Indenture against the Master Trustee. The Master Trustee shall have no duty to review any financial statements provided by the Obligated Group hereunder, nor shall the Master Trustee be considered to have notice of the content of such statements or a default based on such content. The Master Trustee shall have no duty to verify the accuracy of such financial statements.

(b) In case any Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Trust Indenture, and use the same degree of care and skill in their exercise, as a reasonably prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Master Trust Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except, that:

(1) this Subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Master Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(3) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Trust Indenture;

(4) no provision of this Master Trust Indenture shall require the Master Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, without regard to whether it shall have grounds for believing that the repayment of such funds or indemnity reasonably satisfactory to it against such risk or liability is not assured to it; and

(5) in the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Trust Indenture; but in the case of any such certificates or

84

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Trust Indenture at the request or direction of any of the Holders of Obligations pursuant to the provisions of this Master Trust Indenture, unless such Holders shall have provided to the Master Trustee security or indemnity satisfactory to it against the costs, expenses, and liabilities which might be incurred by it in connection with such request or direction, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances;

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, coupon, or other paper or document but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Obligated Group Members and each other obligor on the Obligations, personally or by agent or attorney;

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care hereunder;

(h) The Master Trustee shall not be deemed to have knowledge of any default (as defined in Section 8.02 hereof) hereunder, except an Event of Default under Section 7.01(a) hereof, unless a Responsible Representative has actually received notice of such default in writing from any Obligated Group Member or the Holder of any Obligation, referencing the Obligations and describing such default;

(i) The permissive right of the Master Trustee to do things enumerated in this Master Trust Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful misconduct. It shall not be the duty of the Master Trustee, except as herein provided, to see that any duties or obligations herein imposed upon any Obligated Group Member or any other Person are performed, and the Master Trustee shall not be liable or responsible for the failure of any Obligated Group Member or any other Person to perform any act required of it or them by this Master Trust Indenture;

(j) The Master Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Master Trust Indenture;

(k) In the event the Master Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Obligations, each representing less than a majority in aggregate principal amount of the Obligations Outstanding, the Master Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(l) The Master Trustee's immunities and protections from liability in connection with the performance of its duties under this Master Trust Indenture shall extend to the Master Trustee's officers, directors, agents and employees. Such immunities and protections, together with the

Master Trustee's right to compensation, shall survive the Master Trustee's resignation or removal and final payment of the Obligations; and

(m) Except for information provided by the Master Trustee concerning the Master Trustee, the Master Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Obligations, and the Master Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Obligations.

(n) Notwithstanding anything contained herein or in the Mortgage to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action with respect to real property and which may subject the Master Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Master Trustee may require that an environmental survey be provided and a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action and the Master Trustee shall not be required to take such foreclosure or similar action if it reasonably determines that the approval of a governmental regulator that cannot be obtained is necessary for such foreclosure or similar action.

(o) The Master Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Master Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(p) Notwithstanding the effective date of this Master Trust Indenture or anything to the contrary in this Master Trust Indenture, the Master Trustee shall have no liability or responsibility for any act or event relating to this Master Trust Indenture which occurs prior to the date the Master Trustee formally executes this Master Trust Indenture and commences acting as Master Trustee hereunder.

(q) Except for damages arising out of the Master Trustee's gross negligence or willful misconduct, the Master Trustee shall not be responsible or liable for punitive, special, indirect, or consequential loss or damage of any kind whatsoever irrespective of whether the Master Trustee has been advised of the likelihood of such loss or damage and regardless of the form of actions.

(r) The Master Trustee shall have the right to accept and act upon directions given pursuant to this Master Trust Indenture or any other document reasonably relating thereto and delivered using Electronic Means; provided, however, that the Obligated Group shall provide to the Master Trustee an incumbency certificate listing Authorized Representatives with the authority to provide such directions and containing specimen signatures of such Authorized Representatives,

87

required by law. The Master Trustee shall be under no liability for interest on any money received by it hereunder other than such interest as it expressly agrees to pay.

**SECTION 8.07 COMPENSATION AND EXPENSES OF MASTER TRUSTEE.** The Obligated Group Members agree:

(a) to pay to the Master Trustee from time to time compensation for all services rendered by it hereunder in accordance with a written schedule provided by the Master Trustee to the Obligated Group Representative;

(b) to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Master Trust Indenture (including without limitation the reasonable compensation and the expenses and disbursements, of its agents and counsel) except any such expense, disbursement, or advance as may arise from its negligence or bad faith;

(c) each Obligated Group Member hereby agrees to indemnify the Master Trustee for, and hold it harmless against any loss, liability or expense (including without limitation reasonable attorneys' fees, costs and expenses) incurred by it without negligence or willful misconduct on its part, arising out of and in connection with the acceptance or administration of this trust, including without limitation the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, and such indemnity shall survive the termination of this Master Trust Indenture or the sooner resignation or removal of the Master Trustee; and

(d) In the case of any claim indemnified by the Obligated Group hereunder that is covered by a policy of insurance maintained by or on behalf of Obligated Group, Master Trustee agrees to cooperate, at the Obligated Group's expense, with the insurers in the exercise of their rights to investigate, defend or compromise such claim as may be required to retain the benefits of such insurance with respect to such claim.

**SECTION 8.08 CORPORATE MASTER TRUSTEE REQUIRED; ELIGIBILITY.** There shall at all times be a Master Trustee hereunder which shall be a banking corporation, bank or trust company organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by Federal or State banking authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Master Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect hereinafter specified in this Article VIII.

89

which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Obligated Group elects to give the Master Trustee directions using Electronic Means and the Master Trustee in its discretion elects to act upon such directions, the Master Trustee's understanding of such directions shall be deemed controlling. The Obligated Group shall be responsible for ensuring that only Authorized Representatives transmit such directions to the Master Trustee and that all Authorized Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Obligated Group understands and agrees that the Master Trustee cannot determine the identity of the actual sender of such directions and that the Master Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Representative listed on the incumbency certificate provided to the Master Trustee have been sent by such Authorized Representative. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The Obligated Group agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Master Trustee and that there may be more secure methods of transmitting directions than the method(s) selected by the Obligated Group; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Master Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

**SECTION 8.04 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF OBLIGATIONS.** The recitals contained herein and in the Obligations (other than the certificate of authentication on such Obligations) shall be taken as the statements of the Obligated Group Members, and the Master Trustee assumes no responsibility for their correctness. The Master Trustee makes no representations as to the validity or sufficiency of this Master Trust Indenture or of the Obligations. The Master Trustee shall not be accountable for the use or application by the Obligated Group Members of any of the Obligations or of the proceeds of such Obligations. The Master Trustee is not a party to, and is not responsible for, and makes no representation with respect to matters set forth in any preliminary official statement, official statement, or similar document prepared and distributed in connection with the transactions contemplated in this Master Trust Indenture.

**SECTION 8.05 MASTER TRUSTEE OR REGISTRAR MAY OWN OBLIGATIONS.** The Master Trustee, any Paying Agent, registrar, or any other agent of the Obligated Group Members, in its individual or any other capacity, may become the owner or pledgee of Obligations and may otherwise deal with the Obligated Group Members with the same rights it would have if it were not Master Trustee, Paying Agent, Obligation registrar, or such other agent.

**SECTION 8.06 MONEY TO BE HELD IN TRUST.** All money received by the Master Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent

88

**SECTION 8.09 RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.**

(a) No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee pursuant to this Article VIII shall become effective until the acceptance of appointment by the successor Master Trustee under Section 8.10 hereof.

(b) The Master Trustee may resign at any time by giving written notice thereof to the Obligated Group Representative. If an instrument of acceptance by a successor Master Trustee shall not have been delivered to the Master Trustee within 30 days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

(c) The Master Trustee may be removed (i) if no Event of Default or event with the passage of time would result in an Event of Default has occurred and is continuing under this Master Trust Indenture, then upon 30 days' notice, by act of the Obligated Group Representative delivered to the Master Trustee, or (ii) at any time, upon 30 days' notice, by Act of the Holders of a majority in aggregate principal amount of the Outstanding Obligations delivered to the Master Trustee and to the Obligated Group Representative.

(d) If at any time:

(1) the Master Trustee shall cease to be eligible under Section 8.08 hereof and shall fail to resign after written request therefor by the Obligated Group Representative or by any such Holder of Obligations, or

(2) the Master Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Master Trustee or of its property shall be appointed or any public officer shall take charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Obligated Group Representative by written request upon 30 days' notice may remove the Master Trustee, or (B) subject to Section 7.16 hereof, any Holder of Obligations who has been a bona fide Holder of an Obligation for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Master Trustee and the appointment of successor Master Trustee.

(e) If the Master Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Master Trustee for any cause, the Obligated Group Representative, by an Obligated Group Representative Request, shall promptly appoint a successor Master Trustee. If no successor Master Trustee shall have been so appointed by the Obligated Group Representative or the Holders of Obligations and accepted appointment in the manner hereinafter provided within 30 days, any Holder of Obligations who has been a bona fide Holder of an Obligation for at least 6 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.

(f) The Obligated Group Representative shall give notice of each resignation, removal or incapacitation of the Master Trustee and each appointment of a successor Master Trustee by

90

mailing written notice of such event by first class mail, postage prepaid, to the registered Holders of Obligations at their addresses as shown in the Obligation Register. Each notice shall include the name and address of the designated corporate trust office of the successor Master Trustee.

**SECTION 8.10 ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.** Every successor Master Trustee appointed hereunder shall execute, acknowledge and deliver to the Obligated Group Representative and to the retiring Master Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Master Trustee shall become effective and such successor Master Trustee, without any further act, deed, or conveyance, shall become vested with all the rights, powers, trusts, and duties of the retiring Master Trustee; but, on request of the Obligated Group Representative or the successor Master Trustee, such retiring Master Trustee shall, upon payment of its charges and the amounts due to it hereunder, execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers, and trusts of the retiring Master Trustee, and shall duly assign, transfer, and deliver to the successor Master Trustee all property and money held by such retiring Master Trustee hereunder. Upon request of any such successor Master Trustee, the Obligated Group Representative shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Master Trustee all such rights, powers, and trusts.

No successor Master Trustee shall accept its appointment unless at the time of such acceptance such successor Master Trustee shall be qualified and eligible under this Article VIII. The indemnity provided for in Section 8.07(c) hereof herein shall continue to be binding upon the Members of the Obligated Group for the benefit of the retiring or removed Master Trustee.

**SECTION 8.11 MERGER OR CONSOLIDATION.** Any entity into which the Master Trustee may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Master Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Master Trustee, shall be the successor Master Trustee hereunder, provided such entity shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Obligations shall have been authenticated, but not delivered, by the Master Trustee then in office, any successor by merger or consolidation to such authenticating Master Trustee may adopt such authentication and deliver the Obligations so authenticated with the same effect as if such successor Master Trustee had itself authenticated such Obligations.

**SECTION 8.12 MASTER TRUSTEE AS RELATED BOND TRUSTEE.** The Master Trustee may serve as Related Bond Trustee under any Related Bond Indenture so long as the Master Trustee is the Related Bond Trustee for all outstanding Related Bonds. If an entity other than the Master Trustee becomes a Related Bond Trustee, the Master Trustee hereby agrees to promptly resign from its role as Master Trustee or Related Bond Trustee, at its option, on its own motion and a successor Master Trustee or Related Bond Trustee, as appropriate, shall be appointed and qualified as set forth in Section 8.09 hereof or in the Related Bond Indenture.

**SECTION 8.13 APPROVAL OF SUCCESSOR MASTER TRUSTEE.** (a) If at any time the Obligated Group Representative appoints a successor Master Trustee under Section 8.09 hereof (a "Successor Master Trustee"), in addition to the requirements of Section 8.09, the Successor Master Trustee shall be engaged in the manner set forth in this Section 8.13.

91

## ARTICLE IX SUPPLEMENTS AND AMENDMENTS

**SECTION 9.01 SUPPLEMENTS WITHOUT CONSENT OF HOLDERS OF OBLIGATIONS.** Without the Consent of the Holders of any Obligations, each Obligated Group Member, when authorized by a Board Resolution, and the Master Trustee at any time may enter into one or more Supplements for any of the following purposes:

(a) 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 as permitted by this Master Trust Indenture or to evidence additions to, or withdrawals from, membership in the Obligated Group in accordance with the provisions of Article VI hereof;

(b) 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 herein conferred upon the Obligated Group Members, or to add to the Events of Default enumerated in Section 7.01 hereof;

(c) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Master Trust Indenture that shall not be inconsistent with this Master Trust Indenture, provided such action shall not adversely affect the interests of the Holders of Obligations;

(d) to modify or supplement this Master Trust Indenture in such manner as may be necessary or appropriate to qualify this Master Trust 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 hereunder and the Obligated Group Members undertake such covenants, conditions or restrictions additional to those contained in this Master Trust Indenture as would be necessary or appropriate so to qualify this Master Trust Indenture; provided, however, that nothing herein contained shall be deemed to authorize inclusion in this Master Trust Indenture or in any Supplements 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;

(e) to create and provide for the issuance of Obligations as permitted hereunder;

(f) to increase or maintain any credit rating assigned to any series of Related Bonds by a Rating Agency so long as no Obligation issued hereunder shall be secured on a basis senior to other Obligations;

(g) to change Section 4.15 hereof to permit the financial statements required therein to more accurately reflect the financial position and operations of the Obligated Group or to comply with the requirements of generally accepted accounting principles;

(h) to specify and determine matters necessary or desirable for the incorporation of any future rules and regulations with respect to Subsidy Bonds; and

93

(b) Upon selecting a Successor Master Trustee as required under the provisions of this Master Indenture, the Obligated Group Representative will notify the Master Trustee of such selection. The Master Trustee shall, as soon as practicable but in no case longer than five (5) Business Days after receipt of notice, notify the Holders of all Obligations Outstanding under this Master Indenture of such selection. Such notice (which shall be provided by the Obligated Group Representative) shall (i) include the name of the Successor Master Trustee, (ii) state the reason that the Successor Master Trustee is being engaged, (iii) state the date of a conference call (the "Successor Master Trustee Conference Call"), to be held no later than five (5) Business Days thereafter, between the Obligated Group Representative and Holders of all Obligations Outstanding wherein the Obligated Group Representative shall describe the process that was undertaken for the selection of the Successor Master Trustee and the reasons for the selection of that particular Successor Master Trustee; and (iv) state that the Holder of the Obligations will be deemed to have consented to the selection of the Successor Master Trustee named in such notice and discussed on the Successor Master Trustee Conference Call unless such Holder submits an objection to the selected Successor Master Trustee in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within seven (7) Business Days of the date of the Successor Master Trustee Conference Call. No later than two (2) Business Days after the end of the seven (7) Business Days period following the Successor Master Trustee Conference Call, the Master Trustee shall notify the Obligated Group of the number of objections. If the Holders of a majority in aggregate principal amount of the Outstanding Obligations have been deemed to have consented to the selection of the Successor Master Trustee or have not responded to the request for consent, the Obligated Group Representative shall engage the Successor Master Trustee within three (3) Business Days. If the Holders of a majority in aggregate principal amount of the Obligations Outstanding have objected to the Successor Master Trustee selected, the Obligated Group Representative shall select another Successor Master Trustee which may be engaged upon compliance with the procedures of this Section 8.13.

(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 registered owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the Holder of an Obligation securing such Related Bonds, consent or object to the selection of the Successor Master Trustee in accordance with the response of the registered owners of such Related Bonds. If the registered owners of a majority in aggregate principal amount of the Related Bonds have been deemed to have consented to the selection of the Successor Master Trustee 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 Successor Master Trustee. If the registered owners of a majority in aggregate principal amount of the Related Bonds outstanding have objected to the Successor Master Trustee selected, the Related Bond Trustee shall notify the Master Trustee that it objects to the Successor Master Trustee selected.

The seven (7) Business Days' notice period described in (b) above may be extended by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds seven (7) Business 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 this Section 8.13.

92

(i) to make any amendment to any provision of this Master Trust 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.

**SECTION 9.02 SUPPLEMENTS WITH CONSENT OF HOLDERS OF OBLIGATIONS.** With the Consent of the Holders of not less than a majority in aggregate 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, when authorized by a Board Resolution, 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 this Master Trust Indenture or of modifying in any manner the rights of the Holders of the Obligations under this Master Trust Indenture; provided, however, that no such Supplement shall, without the Consent of the Holder of each Outstanding Obligations affected thereby,

(a) change the Stated Maturity of the principal of, or the date when due of any installment of principal, interest or other amounts owed under, any Obligations or any date for mandatory redemption thereof, 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

(b) 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 this Master Trust Indenture or certain defaults hereunder and their consequences) provided for in this Master Trust Indenture, or

(c) permit the preference or priority of any Obligations over any other Obligations; provided, however, acceleration or tender rights shall not be a preference or priority hereunder, or

(d) modify any of the provisions of this Section or Section 7.15 hereof, except to increase any such percentage or to provide that certain other provisions of this Master Trust Indenture cannot be modified or waived without the Consent of the Holder of each Obligation affected thereby.

For purposes of this Section 9.02, Obligations which secure Interest Rate Agreements shall be disregarded.

It shall not be necessary for any Act of Holders of Obligations under this Section to approve the particular form of any proposed Supplement, but it shall be sufficient if such Act shall approve the substance thereof.

**SECTION 9.03 EXECUTION OF SUPPLEMENTS.** In executing, or accepting the additional trusts created by, any Supplement permitted by this Article or the modifications thereby of the trusts created by this Master Trust Indenture the Master Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by this Master Trust Indenture and that all conditions precedent thereto have been complied with. In connection with the execution and

94

delivery of a Supplement pursuant to Section 9.01(c) hereof, the Master Trustee, in its discretion, may determine whether or not in accordance with such Section the Holders of the Obligations would be affected by such Supplement, and any such determination shall be binding and conclusive on the Members of the Obligated Group, and the Holders of the Obligations. The Master Trustee may receive and be entitled to rely upon an Opinion of Counsel as conclusive evidence as to whether the Holders of the Obligations would be so affected by any such Supplement. The Master Trustee may, but shall not (except to the extent required in the case of a Supplement entered into under Section 9.01(d) hereof) be obligated to, enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities under this Master Trust Indenture or otherwise.

**SECTION 9.04 EFFECT OF SUPPLEMENT.** Upon the execution of any Supplement under this Article, this Master Trust Indenture shall, with respect to each series of Obligations to which such Supplement applies, be modified in accordance therewith, and such Supplement shall form a part of this Master Trust Indenture for all purposes, and every Holder of Obligations thereafter or (except to the extent provided pursuant to Section 9.01(i) hereof) theretofore authenticated and delivered hereunder shall be bound thereby.

**SECTION 9.05 OBLIGATIONS MAY BEAR NOTATION OF CHANGES.** Obligations authenticated and delivered after the execution of any Supplement pursuant to this Article may bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the Obligated Group Representative or the Master Trustee shall so determine, new Obligations so modified as to conform, in the opinion of the Master Trustee and the Obligated Group Representative, to any such Supplement may be prepared and executed by the applicable Obligated Group Member and authenticated and delivered by the Master Trustee in exchange for Obligations then Outstanding.

#### ARTICLE X

#### SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

**SECTION 10.01 SATISFACTION AND DISCHARGE OF INDENTURE.** If at any time the Obligated Group Members shall have paid or caused to be paid the principal of (and premium, if any) and interest on all the Obligations Outstanding hereunder, as and when the same shall 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 shall also pay or provide for the payment of all other sums payable hereunder by each Obligated Group Member then this Master Trust Indenture shall cease to be of further effect (except as to (1) rights of registration of transfer and exchange, (2) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Obligations, (3) rights of Holders to receive payments of principal thereof (and premium, if any) and interest thereon, (4) the rights, remaining obligations, if any, and immunities of the Master Trustee hereunder, and (5) the rights of the Holders as beneficiaries hereof 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 (both to the effect that all conditions precedent in this Master Trust Indenture relating to the satisfaction and discharge of this Master Trust Indenture have been satisfied) and at the cost and expense of the Obligated Group Representative, shall execute proper instruments acknowledging satisfaction of and discharging this Master Trust Indenture.

95

redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer and the principal of such obligation shall be assumed to be received at its Stated Maturity.

**SECTION 10.04 PAYMENT OF RELATED BONDS.** Notwithstanding any other provision of this Article X, no Obligation will be considered paid or deemed to have been paid unless the Related Bonds or other Indebtedness evidenced or secured by such Obligation, if any, have been paid or deemed paid pursuant to the Related Bond Indenture or, as applicable the agreement or instrument pursuant to which such other Indebtedness was issued or incurred.

#### ARTICLE XI MISCELLANEOUS PROVISIONS

**SECTION 11.01 NO PERSONAL LIABILITY.** No recourse under this Master Trust Indenture or any Obligations shall be had against any officer, director, agent or employee, as such, past, present, or future, of any Obligated Group Member, any Affiliate, the Master Trustee or of any successor corporation; it being expressly understood that this Master Trust Indenture and the obligations incurred hereunder are solely obligations of the entities named herein as obligors, and that no personal liability whatever shall attach to such persons or any of them, under this Master Trust Indenture or any Obligations; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such person because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants, or agreements contained in this Master Trust Indenture or in any Obligations are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Master Trust Indenture and the issue of such Obligations.

**SECTION 11.02 NEW YORK CONTRACT.** This Master Trust Indenture and the Obligations shall be deemed to be contracts made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said state applicable to contracts made and to be performed in said state without regard to conflict of law principles.

**SECTION 11.03 LEGAL HOLIDAYS.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Master Trust Indenture, shall be a legal holiday or a day on which the payment system of the U.S. Federal Reserve is not operational, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which the payment system of the U.S. Federal Reserve is operational with the same force and effect as if done on the nominal date provided in this Master Trust Indenture.

**SECTION 11.04 BENEFITS OF PROVISIONS OF MASTER TRUST INDENTURE AND OBLIGATIONS.** Nothing in this Master Trust Indenture or in the Obligations, expressed or implied, shall give or be construed to give any Person, other than the parties hereto, and the Holders of such Obligations, any legal or equitable right, remedy, or claim under or in respect of this Master Trust Indenture, or under any covenant, condition, and provision herein contained; all its covenants, conditions, and provisions being for the sole benefit of the parties hereto and of the Holders of such Obligations.

97

Notwithstanding the satisfaction and discharge of this Master Trust Indenture, the obligations of the Obligated Group Members to the Master Trustee under Section 8.07 hereof and, if funds shall have been deposited with the Master Trustee pursuant to Section 10.02 hereof, the obligations of the Master Trustee under Section 10.03 hereof shall survive.

**SECTION 10.02 OBLIGATIONS DEEMED PAID.** Obligations of any series shall be deemed to have been paid if (a) (1) in case such Obligations are to be redeemed on any date prior to their Stated Maturity, the Obligated Group Representative by Obligated Group Representative Request shall have given to the Master Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Obligations on said redemption date, (2) there shall have been deposited with the Master Trustee or escrow agent 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 verification 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 said 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 (3) in the event said Obligations are not by their terms subject to redemption within the next 45 days, the Obligated Group Representative shall have given the Master Trustee in form satisfactory to it irrevocable instructions to give a notice to the Holders of such Obligations that the deposit required by clause (2) above has been made with the Master Trustee and that said Obligations are deemed to have been paid in accordance with this Section 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 said Obligations (in the case of Obligations related to any Subsidy Bonds, without regard to expected Federal Subsidy Payments), or (b) 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.

**SECTION 10.03 APPLICATION OF TRUST MONEY.** The Defeasance Obligations and money deposited with the Master Trustee pursuant to Section 10.02 hereof and principal or interest payments on any such Defeasance Obligations shall be held in trust, shall not be sold or reinvested, and shall be applied by it, in accordance with the provisions of the Obligations and this Master Trust Indenture, to the payment, either directly or through any Paying Agent (including the Obligated Group Representative acting as Paying Agent) as the Master Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Master Trustee of an Officer's Certificate (accompanied by the verification report of an Accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in clause (2) of Section 10.02 hereof, any money received from principal or interest payments on Defeasance Obligations deposited with the Master Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon Obligated Group Representative Request be reinvested, to the extent practicable, in other Defeasance Obligations or disposed of as requested by the Obligated Group Representative. For purposes of any calculation required by this Article X, any Defeasance Obligation which is subject to redemption at the option of its issuer, the

96

**SECTION 11.05 EXECUTION IN COUNTERPARTS.** This Master Trust Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

**SECTION 11.06 PROVIDERS OF CREDIT FACILITIES DEEMED HOLDERS.** For all purposes hereof including, without limitation, Articles VII and IX of this Master Trust Indenture, so long as a provider of a Credit Facility securing any Obligations or Indebtedness represented by such Obligations (including, without limitation, Related Bonds) is not in default with respect to its obligations under such Credit Facility, such provider shall be deemed to be the Holder of such Obligations and entitled to provide all consents and control all remedies with respect thereto to the exclusion of the Holders thereof so long as its Credit Facility is in effect.

**SECTION 11.07 WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS MASTER TRUST INDENTURE, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION HERewith. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY EACH PARTY, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE.

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IN WITNESS WHEREOF, the parties hereto have caused this Master Trust Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first above written.

**ST. ANN'S OF GREATER ROCHESTER, INC.,** as the Obligated Group Representative

By: \_\_\_\_\_  
Title:

**ST. ANN'S HOME FOR THE AGED,** as an Obligated Group Member

By: \_\_\_\_\_  
Title:

**ST. ANN'S NURSING HOME COMPANY, INC.,** as an Obligated Group Member

By: \_\_\_\_\_  
Title:

**ST. ANN'S SENIOR HOUSING, INC.,** as an Obligated Group Member

By: \_\_\_\_\_  
Title:

**CHERRY RIDGE INDEPENDENT LIVING, LLC,** as an Obligated Group Member

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Title:

**CHERRY RIDGE APARTMENTS, LLC,** as an Obligated Group Member

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Title:

**THE GLEN AT CHERRY RIDGE, LLC,** as an Obligated Group Member

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Title:

**CHAPEL OAKS, INC.,** as an Obligated Group Member

By: \_\_\_\_\_  
Title:

**WILMINGTON TRUST, NATIONAL ASSOCIATION,** as Master Trustee

By: \_\_\_\_\_  
Title:

[SIGNATURE PAGE TO MASTER TRUST INDENTURE]

[SIGNATURE PAGE TO MASTER TRUST INDENTURE]

**EXHIBIT A**

**LEGAL DESCRIPTION OF THE PREMISES**

**EXHIBIT B**

**EXISTING LIENS**

**EXHIBIT C**  
**PERMITTED TITLE EXCEPTIONS**

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**TABLE OF CONTENTS**

Page

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

AND

**WILMINGTON TRUST, NATIONAL ASSOCIATION,**  
as Trustee

**INDENTURE OF TRUST**

Dated as of December 1, 2019  
Relating To:

\$108,825,000  
Monroe County Industrial Development Corporation  
Tax-Exempt Revenue Bonds  
(St. Ann's Community Project), Series 2019

THIS INDENTURE OF TRUST (i) AFFECTS TANGIBLE AND INTANGIBLE PERSONAL PROPERTY, (ii) CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS AND (iii) IS INTENDED TO CONSTITUTE A SECURITY AGREEMENT UNDER THE UNIFORM COMMERCIAL CODE.

|  |    |
|--|----|
| RECITALS .....   | 1  |
| GRANTING CLAUSES 5 .....   | 7  |
| <b>ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION</b> .....                               | 7  |
| Section 1.01. <u>Definitions of Terms</u> .....  | 7  |
| Section 1.02. <u>Rules of Construction</u> .....   | 22 |
| <b>ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS</b> .....                                | 24 |
| Section 2.01. <u>Authorized Amount of Bonds</u> .....                                      | 24 |
| Section 2.02. <u>Purpose for Which Series 2019 Bonds May Be Issued</u> .....               | 24 |
| Section 2.03. <u>Issuance of Series 2019 Bonds; Details of the Series 2019 Bonds</u> ..... | 24 |
| Section 2.04. <u>Execution; Special Obligations</u> .....                                  | 25 |
| Section 2.05. <u>Authentication</u> .....  | 25 |
| Section 2.06. <u>Form of Series 2019 Bonds; Preparation of Series 2019 Bonds</u> .....     | 26 |
| Section 2.07. <u>Delivery of Series 2019 Bonds</u> .....                                   | 26 |
| Section 2.08. <u>Mutilated, Lost, Stolen or Destroyed Bonds</u> .....                      | 28 |
| Section 2.09. <u>Negotiability of Bonds and Registration Books</u> .....                   | 29 |
| Section 2.10. <u>Transfer of the Bonds</u> .....   | 29 |
| Section 2.11. <u>Regulations with Respect to Transfers</u> .....                           | 29 |
| Section 2.12. <u>Book-Entry System</u> .....   | 30 |
| Section 2.13. <u>Additional Bonds</u> .....  | 31 |
| <b>ARTICLE III REDEMPTION OF BONDS PRIOR TO MATURITY</b> .....                             | 34 |
| Section 3.01. <u>Redemption Dates and Prices</u> .....                                     | 34 |
| Section 3.02. <u>Notice of Redemption</u> .....  | 37 |
| Section 3.03. <u>Payment of Redeemed Series 2019 Bonds</u> .....                           | 38 |
| Section 3.04. <u>Partial Redemption of Series 2019 Bonds</u> .....                         | 38 |
| Section 3.05. <u>Selection of Bonds to be Called for Redemption</u> .....                  | 38 |
| <b>ARTICLE IV FUNDS, REVENUES, BOND PROCEEDS AND APPLICATION THEREOF</b> .....             | 38 |
| Section 4.01. <u>Establishment of Funds and Accounts</u> .....                             | 38 |
| Section 4.02. <u>Application of Series 2019 Bond Proceeds and Allocation Thereof</u> ..... | 39 |
| Section 4.03. <u>Moneys to be Held in Trust</u> .....                                      | 39 |
| Section 4.04. <u>Use of the Moneys in the Project Fund</u> .....                           | 39 |
| Section 4.05. <u>Payments into the Bond Fund</u> .....                                     | 41 |
| Section 4.06. <u>Use of Moneys in the Bond Fund</u> .....                                  | 41 |
| Section 4.07. <u>Reserved</u> .....  | 41 |
| Section 4.08. <u>Payments Into Earnings Fund; Application of Earnings Fund</u> .....       | 41 |
| Section 4.09. <u>Payments Into Rebate Fund; Application of Rebate Fund</u> .....           | 41 |
| Section 4.10. <u>Reserved</u> .....  | 43 |
| Section 4.11. <u>Investment of Moneys</u> .....  | 43 |
| Section 4.12. <u>Payment to Institution Upon Payment of Bonds</u> .....                    | 44 |
| Section 4.13. <u>Reports and Information Regarding Funds</u> .....                         | 44 |
| <b>ARTICLE V GENERAL COVENANTS AND PROVISIONS</b> .....                                    | 45 |

i

|  |    |   |    |
|--|----|---|----|
| Section 5.01. <u>Authority of Issuer; Validity of Indenture and Bonds</u> .....                        | 45 | Section 9.06. <u>Resignation by the Trustee</u> .....   | 61 |
| Section 5.02. <u>Performance of Covenants</u> .....  | 45 | Section 9.07. <u>Removal of the Trustee</u> .....   | 61 |
| Section 5.03. <u>Payment of Principal, Premium, if any, and Interest</u> .....                         | 45 | Section 9.08. <u>Appointment of Successor Trustee by the Holders; Temporary Trustee</u> .....                 | 61 |
| Section 5.04. <u>Deposit of Revenues</u> .....   | 45 | Section 9.09. <u>Concerning Successor Trustees</u> .....  | 62 |
| Section 5.05. <u>Priority of Security Interest</u> .....   | 45 | Section 9.10. <u>Successor Trustee as Custodian of Funds, Paying Agent and Bond Registrar</u> .....           | 62 |
| Section 5.06. <u>Enforcement of Duties and Obligations of the Institution</u> .....                    | 45 | Section 9.11. <u>Appointment, Resignation or Removal of Paying Agent and Bond Registrar; Successors</u> ..... | 63 |
| Section 5.07. <u>Reserved</u> .....  | 46 | Section 9.12. <u>Reserved</u> .....   | 63 |
| Section 5.08. <u>Maintenance and Modification of the Facility</u> .....                                | 46 | Section 9.13. <u>New York Real Property Law</u> .....   | 63 |
| Section 5.09. <u>Insurance</u> .....   | 46 | Section 9.14. <u>Continuing Disclosure</u> .....  | 64 |
| Section 5.10. <u>Filing of Documents and Security Instruments</u> .....                                | 46 | <b>ARTICLE X SUPPLEMENTAL INDENTURES</b> .....  | 64 |
| Section 5.11. <u>Rights Under Financing Documents</u> .....  | 46 | Section 10.01. <u>Supplemental Indentures Not Requiring Consent of Holders</u> .....                          | 64 |
| Section 5.12. <u>Failure to Present Bonds</u> .....  | 46 | Section 10.02. <u>Supplemental Indentures Requiring Consent of Holders</u> .....                              | 65 |
| Section 5.13. <u>Cancellation</u> .....  | 47 | Section 10.03. <u>Consent of Institution to Supplemental Indentures</u> .....                                 | 66 |
| Section 5.14. <u>Payments Due on Other Than Business Days</u> .....                                    | 47 | Section 10.04. <u>Effect of Supplemental Indentures</u> .....   | 66 |
| Section 5.15. <u>Covenant Against Arbitrage Bonds</u> .....  | 47 | <b>ARTICLE XI AMENDMENT OF LOAN AGREEMENT AND TAX COMPLIANCE AGREEMENT</b> .....                              | 67 |
| Section 5.16. <u>Covenant Regarding Adjustment of Debts</u> .....                                      | 47 | Section 11.01. <u>Amendments to Loan Agreement</u> .....  | 67 |
| Section 5.17. <u>Limitation on Obligations of the Issuer</u> .....                                     | 47 | Section 11.02. <u>Reserved</u> .....  | 67 |
| Section 5.18. <u>Inspection of Books</u> .....   | 48 | Section 11.03. <u>Amendments to Tax Compliance Agreement</u> .....  | 67 |
| Section 5.19. <u>List of Owners</u> .....  | 48 | <b>ARTICLE XII MISCELLANEOUS</b> .....  | 69 |
| Section 5.20. <u>Instruments of Further Assurance</u> .....  | 48 | Section 12.01. <u>Consent of Holders</u> .....  | 69 |
| <b>ARTICLE VI PRIORITY RIGHTS OF TRUSTEE</b> .....   | 49 | Section 12.02. <u>Limitation of Rights</u> .....  | 69 |
| Section 6.01. <u>Priority Rights of Trustee</u> .....  | 49 | Section 12.03. <u>Severability</u> .....  | 70 |
| <b>ARTICLE VII DISCHARGE OF LIEN; DEFEASANCE OF BONDS</b> .....  | 49 | Section 12.04. <u>Notices</u> .....   | 70 |
| Section 7.01. <u>Discharge of Lien</u> .....   | 49 | Section 12.05. <u>Counterparts</u> .....  | 71 |
| Section 7.02. <u>Defeasance of Bonds</u> .....   | 50 | Section 12.06. <u>Applicable Law</u> .....  | 71 |
| <b>ARTICLE VIII DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS</b> .....                       | 51 | Section 12.07. <u>No Recourse; Special Obligations</u> .....  | 71 |
| Section 8.01. <u>Events of Default</u> .....   | 51 | <b>EXHIBIT A FORM OF BOND</b> .....   | 1  |
| Section 8.02. <u>Acceleration</u> .....  | 51 | <b>EXHIBIT B FORM OF REQUISITION FOR PAYMENT AND REIMBURSEMENT</b> .....                                      | 1  |
| Section 8.03. <u>Enforcement of Remedies</u> .....   | 52 | <b>SCHEDULE A CAPITALIZED INTEREST PAYMENT SCHEDULE</b> .....   | 1  |
| Section 8.04. <u>Reserved</u> .....  | 53 |   |    |
| Section 8.05. <u>Application of Moneys</u> .....   | 53 |   |    |
| Section 8.06. <u>Remedies Vested in Trustee</u> .....  | 54 |   |    |
| Section 8.07. <u>Remedies Not Exclusive</u> .....  | 54 |   |    |
| Section 8.08. <u>Majority Bondholders Control Proceedings</u> .....                                    | 54 |   |    |
| Section 8.09. <u>Individual Holder Action Restricted</u> .....   | 55 |   |    |
| Section 8.10. <u>Termination of Proceedings</u> .....  | 55 |   |    |
| Section 8.11. <u>Waiver and Non-Waiver of Event of Default</u> .....                                   | 56 |   |    |
| Section 8.12. <u>Notice of Defaults</u> .....  | 56 |   |    |
| <b>ARTICLE IX THE TRUSTEE AND PAYING AGENT</b> .....   | 56 |   |    |
| Section 9.01. <u>Appointment of Trustee and Acceptance of Duties</u> .....                             | 56 |   |    |
| Section 9.02. <u>Fees, Charges and Expenses of the Trustee, Bond Registrar and Paying Agents</u> ..... | 60 |   |    |
| Section 9.03. <u>Intervention by Trustee</u> .....   | 60 |   |    |
| Section 9.04. <u>Right of Trustee to Pay Taxes, Insurance Premiums and Other Charges</u> .....         | 60 |   |    |
| Section 9.05. <u>Merger or Consolidation of Trustee</u> .....  | 60 |   |    |

**INDENTURE OF TRUST**

THIS INDENTURE OF TRUST, dated as of December 1, 2019 (the "Indenture"), is by and between the **MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**, a not for profit local development corporation duly organized and existing under the laws of the State of New York (the "Issuer"), having its principal office at 50 West Main Street, Rochester, New York 14614, and **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national association with banking powers organized and existing by virtue of the laws of the United States of America, authorized to accept and execute trusts of the character hereinafter set forth and having a corporate trust office at 285 Delaware Avenue, 3<sup>rd</sup> Floor, Buffalo, New York 14202 (the "Trustee").

**WITNESSETH:**

WHEREAS, pursuant to Section 1411 of the Not-for-Profit Corporation Law ("N-PCL") of the State of New York (the "State"), as amended (hereinafter collectively called the "Act"), and pursuant to its certificate of incorporation, as amended (the "Certificate"), the Issuer was established as a not-for-profit local development corporation of the State with the authority and power to own, lease and sell personal and real property for the purposes of, among other things, acquiring, constructing and equipping certain projects exclusively in furtherance of the charitable or public purposes of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, by encouraging the development of, or retention of, an industry in the community or area, and lessening the burdens of government and acting in the public interest; and

WHEREAS, the Act further authorizes the Issuer to issue its bonds and to loan the proceeds thereof for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to pledge certain revenues and receipts to secure the payment of such bonds and interest thereon; and

WHEREAS, by resolution adopted August 13, 2019 (the "Bond Resolution"), the Issuer determined to issue its \$108,825,000 Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019 (the "Series 2019 Bonds") for the benefit of St. Ann's Home for the Aged (the "Home"), St. Ann's Nursing Home Company, Inc. (the "Heritage"), St. Ann's Senior Housing, Inc. (the "Sole Member"), on behalf of itself and as the sole member of Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge (the "CRIL"), Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge (the "CRA") and The Glen at Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge (the "CRG"), and Chapel Oaks, Inc. (the "CO"), and collectively with the Home, the Heritage, the Sole Member, the CRIL, CRA and CRG, the "Institution") for the purpose of financing the Project (as defined below); and

WHEREAS, the project (collectively, the "Project") consists of: (I) the Home project consisting of: (A) the 2019 Home project (the "2019 Home Project") consisting of: (i) the renovation, equipping and modernization of the approximately 258,000 square-foot, ten (10) story existing 388-bed skilled nursing facility tower located at 1500 Portland Avenue, in the

1

service and "back-of-the-house" operations (collectively, the "Heritage Facility") and (B) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Heritage and KeyBank, National Association; (III) the CRIL project consisting of the refunding of the outstanding principal amount of the \$6,250,036.44 Tax-Exempt Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2014A (the "CRIL Series 2014A Bonds") issued by the Issuer for the benefit of the CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$13,940,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 55 two-bedroom independent living cottages for senior living, together with ancillary and related facilities and improvements, constituting approximately 107,000 square-feet (collectively, the "CRIL Facility"); (IV) the CRA project consisting of the refunding of the outstanding principal amount of the \$8,219,174.04 Tax-Exempt Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2014A (the "CRA Series 2014A Bonds") issued by the Issuer for the benefit of the CRA, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$9,455,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRA, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 45 one-bedroom and 26 two-bedroom independent rental apartments for senior living, together with ancillary and related facilities and improvements, constituting approximately 61,000 square-feet (collectively, the "CRA Facility"); (V) the CRG project consisting of the refunding of the outstanding principal amount of the \$12,717,513.91 Tax-Exempt Revenue Bonds (The Glen at Cherry Ridge, LLC Project), Series 2014A (the "CRG Series 2014A Bonds") issued by the Issuer for the benefit of the CRG, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$14,625,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRG, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 42 one-bedroom and 33 studio assisted living suites for senior living, together with ancillary and related facilities and improvements, constituting approximately 38,000 square-feet (collectively, the "CRG Facility"); (VI) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Sole Member, the CRIL, the CRA, the CRG and KeyBank, National Association; (VII) the CO project consisting of (A) the refunding of the outstanding principal amount of the \$9,065,000 Revenue Refunding Bonds (Chapel Oaks, Inc. Project), Series 2014 (the "CO Series 2014 Bonds"), and collectively with the Home Series 2014A Bonds, the Heritage Series 2014A Bonds, the CRIL Series 2014A Bonds, the CRA Series 2014A Bonds and the CRG Series 2014A Bonds, the "Prior Bonds") issued by the Village of East Rochester Housing Authority for the benefit of the CO, the proceeds of which were applied to refund the outstanding principal amount of the \$ 14,455,000 original principal amount Revenue Bonds (Chapel Oaks, Inc. Project), Series 1997 issued by the Dormitory Authority of the State of New York for the

3

Town of Irondequoit, County of Monroe, New York (the "Irondequoit Campus") in order to provide for, among other things, renovated and reconfigured resident rooms, family/common areas, back of the house areas, including, but not limited to, staff and nurse stations, food service areas and cooling/duct/electrical upgrades, together with ancillary and related facilities and improvements (collectively, the "2019 Home Improvements") and (ii) the acquisition and installation in and around the 2019 Home Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "2019 Home Equipment", together with the 2019 Home Improvements, the "2019 Home Facility"); (B) the funding of capitalized interest relating to the 2019 Home Facility; (C) the refunding of the outstanding principal amount of the \$28,881,867.31 original principal amount Tax-Exempt Revenue Bonds (St. Ann's Home for the Aged Project), Series 2014A (the "Home Series 2014A Bonds") issued by the Issuer for the benefit of the Home, the proceeds of which were applied to (i) refund the outstanding principal amount of the \$16,000,000 original principal amount Civic Facility Revenue Bonds (St. Ann's Home for the Aged Project), Series 2000 issued by the County of Monroe Industrial Development Agency ("COMIDA") for the benefit of the Home, the proceeds of which were applied to finance and/or refinance the acquisition, construction, expansion, renovation and equipping at the Irondequoit Campus of an approximately 258,000 square-foot 388-bed St. Ann's Home facility (collectively, the "2000 Home Facility") and (ii) refund the outstanding principal amount of the \$17,200,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Home For The Aged Project), Series 2010 issued by the Issuer for the benefit of the Home, the proceeds of which were applied to finance and/or refinance the construction and equipping at the Irondequoit Campus of: (1) an approximately 78,000 square-foot, four-story skilled nursing facility to house the Home's new nursing home (both intermediate-care and skilled nursing facilities) with 72 sub-acute/rehabilitation care beds and 10 hospice inpatient general beds, together with ancillary and related facilities and improvements, (2) an approximately 500 square-foot ground floor structure to connect to the northern end of the existing St. Ann's Home facility and (3) a basement below the skilled nursing facility to house a therapy gym and to provide mechanical space, storage and below-grade access to support services (collectively, the "2010 Home Facility") and, together with the 2000 Home Facility and the 2019 Home Facility, the "Home Facility") and (D) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Home and KeyBank, National Association; (II) the Heritage project consisting of (A) the refunding of the outstanding principal amount of the \$16,246,280.90 Tax-Exempt Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2014A (the "Heritage Series 2014A Bonds") issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to refund the outstanding principal amount of the \$16,085,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2010 issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to finance and/or refinance the construction and equipping on approximately 38 acres located at 900 Cherry Ridge Boulevard, in the Town of Webster, County of Monroe, New York (the "Webster Campus"): of: (1) an approximately 56,000 square-foot, three-story skilled nursing facility to house the Heritage's new nursing home with 72 beds of sub-acute/rehabilitation (12 beds) and long-term/skilled nursing (60 beds) care, together with ancillary and related facilities and improvements and (2) an approximately 400 square-foot structure to connect to the eastern service area of the existing assisted living facility (The Glen) to provide for the sharing of food

2

benefit of the CO, the proceeds of which were applied to finance and/or refinance the construction and equipping at the Irondequoit Campus of a 120 -unit independent living rental facility for middle income senior citizens (collectively, the "CO Facility"), and together with the Home Facility, the Heritage Facility, the CRIL Facility, the CRA Facility and the CRG Facility, the "Facility") and (B) the payment of the termination fee pursuant to that certain Master Agreement, dated January 9, 2014, as may be supplemented from time to time, by and between the CO and KeyBank, National Association; (VIII) the funding of the deposit to the Reserve Fund (as defined in the hereinafter defined Master Trust Indenture and as created thereunder) and (IX) the payment of certain costs and expenses incidental to the issuance of the Series 2019 Bonds and the defeasance and/or redemption of the Prior Bonds (the costs associated with items (I) through (IX) above being hereinafter collectively referred to as the "Project Costs"); and

WHEREAS, pursuant to a certain Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Issuer and the Institution, the Issuer has agreed to loan the proceeds of the Series 2019 Bonds to the Institution and the Institution has agreed thereunder to make Debt Service Payments (as defined herein) thereunder in an amount sufficient to pay, among other things, the principal of, sinking fund installments, redemption price of and interest on the Series 2019 Bonds; and

WHEREAS, as security for the Series 2019 Bonds, the Issuer assigned to the Trustee all of its rights (except Reserved Rights, as defined herein) under the Loan Agreement, pursuant to the terms of a certain Pledge and Assignment, dated as of December 1, 2019 (the "Pledge and Assignment"), from the Issuer to the Trustee; and

WHEREAS, as security for the Institution's obligations under the Loan Agreement, the Obligated Group Representative, on behalf of the Obligated Group (each as defined herein), has issued Master Note No. 1 to the Trustee by way of endorsement from the Issuer (the "Master Note No. 1"), pursuant to and in accordance with the Master Trust Indenture, dated as of December 1, 2019 (the "Original Master Indenture"), by and among the Institution, the Obligated Group Representative and Wilmington Trust, National Association, in its capacity as master trustee (the "Master Trustee"), as supplemented by a Supplemental Indenture Number 1, dated as of December 1, 2019 (the "Supplemental Indenture No. 1"), and together with the Original Master Indenture, the "Master Trust Indenture" or the "Master Indenture"), by and between the Obligated Group Representative and the Master Trustee; and

WHEREAS, as security for the Master Note No. 1, the Institution granted to the Issuer first, second and third mortgage liens on and first, second and third security interests in certain properties of the Institution pursuant to a certain Mortgage and Security Agreement (Acquisition Loan), Mortgage and Security Agreement (Project Loan) and Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Obligated Group Representative and the Institution to the Issuer (collectively, the "Mortgage"); which mortgage liens and security interests have been assigned by the Issuer to the Master Trustee pursuant to a certain Assignment of Mortgage and Security Agreement (Acquisition Loan), Assignment of Mortgage and Security Agreement (Project Loan) and Assignment of Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Issuer to the Master Trustee (collectively, the "Assignment of Mortgage"); and

4



WHEREAS, the Series 2019 Bonds are being purchased by B.C. Ziegler and Company (the "Underwriter"), pursuant to a certain Purchase Contract, dated December 19, 2019, by and among the Issuer, the Institution and the Underwriter (the "Bond Purchase Contract"); and

WHEREAS, the Series 2019 Bonds and the Trustee's Certificate of Authentication to be endorsed thereon are all to be in substantially the form attached hereto as Exhibit A, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary to make the Series 2019 Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid pledge and assignment of the loan payments, revenues and receipts herein made to the payment of the principal of and interest on the Series 2019 Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Series 2019 Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, THE PARTIES HERETO FURTHER DECLARE:

#### GRANTING CLAUSES

That the Issuer, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Series 2019 Bonds by the Holders (as hereinafter defined) and as security for the Series 2019 Bonds in the aggregate principal amount of \$108,825,000, each series of Additional Bonds (as hereinafter defined) issued in accordance with Section 2.13 hereof, the payment of all other sums required to be paid hereunder and the performance and observance by the Issuer of all of the covenants, agreements, representations and warranties herein and in the Series 2019 Bonds, each series of Additional Bonds and the Loan Agreement contained, does hereby grant a security interest in, release, assign, transfer and pledge unto the Trustee, and its successors and assigns forever, for the benefit of the Holders and all future Holders of the Series 2019 Bonds and Additional Bonds, the following described property (the "Trust Estate"):

A. All right, title and interest of the Issuer in and to the moneys in all funds and accounts established by or pursuant to this Indenture or the Loan Agreement or any and all amendments or supplements thereto and held by the Trustee (except moneys deposited with, paid to, or received by the Trustee (i) for the redemption of the Bonds (as defined herein), notice of the redemption of which has been given, (ii) for deposit into the Rebate Fund (as hereinafter defined) or (iii) from income derived from the investment of either of the foregoing), and the income thereon, subject to the provisions of this Indenture and the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

B. All right, title and interest of the Issuer in and to the Loan Agreement, including all payments, revenues and receipts payable or receivable thereunder and all liens and security interests granted thereunder; and

5

foregoing classifications which are hereafter acquired, reconstructed and equipped. The Issuer shall deliver to the Trustee any and all further instruments which the Trustee shall require in order to further secure and perfect the security interest created by this Indenture. Pursuant to the Uniform Commercial Code of the State, the Issuer hereby appoints and authorizes the Trustee as its lawful agent and attorney, to file any UCC-1 financing statements or UCC-3 financing statement changes if the Issuer shall determine that such are necessary or advisable in order to perfect its security interests in the Trust Estate and shall pay to the Trustee on demand any expenses incurred by the Trustee in connection with the preparation, execution and filing of any such statements and any continuation statements that may be filed by the Trustee.

The following information is stated in order to facilitate filings under the Uniform Commercial Code: The Secured Party is Wilmington Trust, National Association, as Trustee. Its address from which information concerning the security interest may be obtained is: 285 Delaware Avenue, 3<sup>rd</sup> Floor, Buffalo, New York 14202, Attention: Corporate Trust Department. The Debtor is Monroe County Industrial Development Corporation, a not for profit local development corporation organized under the laws of the State of New York. Its address is: 50 West Main Street, Rochester, New York 14614.

THIS INDENTURE FURTHER WITNESSETH, that the Issuer hereby agrees and covenants with the Trustee for the equal and proportional benefit of the Holders from time to time of the Bonds as follows:

#### ARTICLE I

##### DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions of Terms. The following words and terms as used in this Indenture shall have the following meanings unless the context or use indicates another or different meaning or intent:

"2019 Home Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"2019 Home Project" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"Accountant" means a nationally or regionally recognized firm of independent certified public accountants selected by the Institution having expertise in the particular businesses in which the Institution is engaged.

"Act" means Section 1411 of the Not-For-Profit Corporation Law of the State of New York as amended.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Institution as debtor or

7

C. All right, title and interest of the Issuer in and to the Master Note No. 1; and

D. Any and all other Property (as defined herein) of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Issuer, the Institution or by anyone in their behalf or with their written consent in favor of the Trustee, which is hereby authorized to issue any and all such Property at any and all times and to hold and apply the same subject to the terms hereof;

EXCEPTING THEREFROM the Unassigned Rights (as defined herein);

TO HAVE AND TO HOLD the Trust Estate hereby pledged, assigned and conveyed as aforesaid, or intended so to be, unto the Trustee and its successors in trust and their respective assigns forever;

IN CONSIDERATION of the purchase and acceptance of the Bonds authorized to be issued pursuant to this Indenture by those who shall hold the same from time to time: (i) this Indenture shall be deemed to be and shall constitute a contract among the Issuer, the Trustee and the Holders from time to time of the Bonds, and (ii) the pledge made and consolidated in this Indenture and the covenants set forth herein to be performed by the Issuer shall be for the equal and ratable benefit, security and protection of all Holders of the Bonds secured by this Indenture without privilege, priority or distinction as to the Lien (as hereinafter defined) or otherwise of any of the Bonds over any other of the Bonds, except in the case of funds held hereunder for the benefit of particular Holders;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, (i) shall pay or cause to be paid the principal of, premium, if any, and interest on the Bonds at the times and in the manner mentioned herein and in the Bonds, (ii) shall perform and observe all the covenants to be performed and observed hereunder, and (iii) shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and of the Loan Agreement, then upon such final payments this Indenture and the rights hereby granted shall cease, terminate and be void, otherwise this Indenture shall be and remain in full force and effect;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that all of the Trust Estate is to be held and applied subject to the further covenants, agreements and conditions set forth in the Loan Agreement and herein.

THE TRUSTEE SHALL have and may enforce a security interest to secure payment of all sums due or to become due to the Trustee for the benefit of the Holders under the Bonds, the Indenture, the Loan Agreement and the other Financing Documents (as defined herein) in any or all of the Trust Estate. Such security interest is to be attached at the earliest moment permitted by law and also to include and attach to all additions and accessions thereto, all substitutions and replacements thereof, all proceeds thereof, including insurance proceeds, and all contract rights, payments and general intangibles of the Issuer obtained in connection with or relating to the Trust Estate (excepting the Unassigned Rights) as well as any and all items of property in the

6

the Issuer as debtor under any applicable bankruptcy, insolvency, reorganization or similar law as now or hereafter in effect.

"Additional Bonds" means any bonds, other than the Series 2019 Bonds, issued pursuant to Section 2.13 of the Indenture.

"Assignment of Mortgage" means, collectively, the Assignment of Mortgage and Security Agreement (Acquisition Loan), the Assignment of Mortgage and Security Agreement (Project Loan) and the Assignment of Mortgage and Security Agreement (Building Loan), each dated as of December 1, 2019, from the Issuer to the Master Trustee.

"Authorized Representative" means with respect to the Issuer, its President, Vice President or Executive Director, with respect to the Home, the Heritage, the Sole Member, on behalf of itself and as the sole member of the CRIL, the CRA and the CRG, and the CO, any officer of the Home, the Heritage, the Sole Member, on behalf of itself and as the sole member of the CRIL, the CRA and the CRG, and the CO, respectively, and with respect to both such additional persons as, at the time, are designated to act on behalf of the Issuer or each of the Institution, as the case may be, by written certificate furnished to the Trustee and to the Issuer or each of the Institution, as the case may be, containing the specimen signature of each such person and signed on behalf of (i) the Issuer by its President, Vice President or Executive Director, or (ii) the Home, the Heritage, the Sole Member, on behalf of itself and as the sole member of the CRIL, the CRA and the CRG, and the CO by any officer of the Home, the Heritage, the Sole Member, on behalf of itself and as the sole member of the CRIL, the CRA and the CRG, and the CO, respectively.

"Bond" or "Bonds" means the Series 2019 Bonds and any Additional Bonds, authorized to be issued pursuant to this Indenture to finance all or a portion of the Project Costs.

"Bond Counsel" means the law firm of Harris Beach PLLC or an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bond Fund" means the fund so designated which is created by Section 4.01 of this Indenture.

"Bondholder" or "Holder" or "Owner" means the registered owner at the time in question of any Bond, as shown on the registration books maintained by the Bond Registrar pursuant to this Indenture.

"Bond Payment Date" means any date on which a Debt Service Payment shall be payable on any of the Bonds according to their terms so long as any of the Bonds shall be Outstanding.

"Bond Proceeds" means the sum of the face amount of the Series 2019 Bonds plus accrued interest, if any, premium, if any, less the sum of the original issue discount less the underwriter's spread or similar discount, if any.

8

"Bond Purchase Contract" means the Purchase Contract, dated December 19, 2019, by and among the Issuer, the Institution and the Underwriter.

"Bond Registrar" means the Trustee, acting as such, and any successor bond registrar for the Bonds appointed pursuant to Article IX hereof, their respective successors and any other corporation which may at any time be substituted in their respective places pursuant to this Indenture.

"Bond Resolution" means the resolution adopted by the Issuer on August 13, 2019 authorizing the issuance, execution, sale and delivery of the Series 2019 Bonds and the execution and delivery of Issuer Documents, as such resolution may be amended or supplemented from time to time.

"Bond Year" means the one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year begins on the dated date of original issuance of the Bonds and ends one year later.

"Building Loan Agreement" means the Building Loan Agreement, dated as of December 1, 2019, by and among the Institution, the Obligated Group Representative, the Master Trustee and the Trustee.

"Business Day" means a day other than a Saturday, Sunday, legal holiday or other day on which the Trustee is authorized by law or executive order to remain closed.

"Capital Additions" means all property or interests in property, real, personal and mixed (a) which constitute additions, improvements or extraordinary repairs to or replacements of all or any part of the Facility, and (b) the cost of which is properly capitalized under generally accepted accounting principles.

"Capitalized Interest Account" means, with respect to the 2019 Home Facility, the subaccount of the Project Fund created by Section 4.01 of this Indenture.

"Certificate of Authentication of the Trustee" and "Trustee's Certificate of Authentication" means the certificate executed by an authorized officer of the Trustee certifying the due authentication of the Series 2019 Bonds in the aggregate principal amount of \$108,825,000.

"Closing" or "Closing Date" means the date of the sale and delivery of the Series 2019 Bonds and the delivery of the Financing Documents.

"CO" means Chapel Oaks, Inc., a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 1500 Portland Avenue, Rochester, New York 14621 and its successors and assigns.

9

acting on behalf of the Sole Member, an organization described in Section 501(c)(3) of the Code, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 and its successors and assigns.

"CRA Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"CRA Series 2014A Bonds" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"CRG" means The Glen at Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge, a limited liability company organized and existing under the laws of the State of New York, acting on behalf of the Sole Member, an organization described in Section 501(c)(3) of the Code, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 and its successors and assigns.

"CRG Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"CRG Series 2014A Bonds" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"CRIL" means Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge, a limited liability company organized and existing under the laws of the State of New York, acting on behalf of the Sole Member, an organization described in Section 501(c)(3) of the Code, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 and its successors and assigns.

"CRIL Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"CRIL Series 2014A Bonds" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Debt Service Payment" means, with respect to any Bond Payment Date, (i) the interest payable on such Bond Payment Date on the Bonds Outstanding, plus (ii) the principal, if any, payable on such Bond Payment Date on the Bonds Outstanding, plus (iii) the premium, if any, payable on such Bond Payment Date on the Bonds Outstanding.

"Defeasance Obligations" shall mean (i) cash; (ii) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGS)); (iii) direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury; (iv) obligations of Resolution Funding Corp. ("REFCORP") (provided, however, that, only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form shall qualify as Defeasance Obligations); (v) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P (provided, however, that, if such pre-funded

11

"CO Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"CO Series 2014A Bonds" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, and the final, temporary and proposed regulations of the United States Department of the Treasury promulgated thereunder. References to Sections of the Code shall be construed also to refer to successor and renumbered sections.

"Commercial Code" shall mean the Uniform Commercial Code, as the same may from time to time be in effect in the State.

"Completion Date" means the date of completion of the 2019 Home Facility, as certified pursuant to the Loan Agreement.

"Computation Period" means each period from the date of original issuance of the Bonds through the date on which a determination of the Rebate Amount is made.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under Governmental Authority.

"Construction Consultant" means zumBrunnen, Inc., its successors or assigns, as construction consultant.

"Construction Oversight Consulting Services Agreement" means the Construction Oversight Consulting Services Agreement, dated as of the Closing Date, by and among the Construction Consultant, the Trustee and the Home, as the same may be amended or supplemented from time to time.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of December 1, 2019, by and among the Institution, the Obligated Group Representative and Wilmington Trust, National Association, as dissemination agent, as the same may be amended or supplemented from time to time.

"Contract Term" means the period commencing with the Closing Date and continuing until the principal of, premium, if any, and interest on the Bonds have been paid in full, or provision therefor has been made pursuant to Article VII of this Indenture, and all other amounts due under the Loan Agreement have been paid in full.

"Cost of the Facility" means the Project Costs.

"CRA" means Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge, a limited liability company organized and existing under the laws of the State of New York,

10

municipal bonds are only rated by S&P, then such pre-refunded bonds shall have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals); and (vi) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (a) U.S. Export-Import Bank (Eximbank) Direct Obligations or fully guaranteed certificates of beneficial ownership; (b) Farmers Home Administration (FmHA); (c) Federal Financing Bank; (d) General Services Administration; Participation Certificates; (e) U.S. Maritime Administration; Guaranteed Title XI financing; and (f) U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds, New Communities Debentures – U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

"Depository" or "DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Earnings Fund" means the fund so designated which is created by Section 4.01 of this Indenture.

"Equipment" means all machinery, equipment and other tangible personal property used and to be used in connection with the Facility and acquired or refinanced in whole or in part with the Bond Proceeds with such additions thereto and substitutions therefor as may exist from time to time.

"Event of Default" means any of those events defined as Events of Default by Section 8.01 of this Indenture or, when used with respect to the Loan Agreement, any of those events defined as Events of Default by Section 7.1 of the Loan Agreement.

"Exempt Obligation" means (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical rating services; (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of, the payment of the principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all reasonable, out-of-pocket expenses incurred by the Trustee or any Paying Agent under this Indenture other than Ordinary Services and Ordinary Expenses including but not limited to, the services rendered and expenses reasonably incurred by the Trustee with respect to any Event of Default under the Financing Documents, or the happening of an occurrence which, with the passage of time or the giving of a notice, would ripen into an Event of Default.

"Facility" means, collectively, the Home Facility, the Heritage Facility, the CRIL Facility, the CRA Facility, the CRG Facility and the CO Facility.

"Favorable Opinion of Bond Counsel" shall mean, with respect to any action, the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

"Federal Agency Obligation" means (i) an obligation issued by any federal agency or instrumentality; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

"Financing Documents" or "Bond Documents" means, collectively, the Bonds, this Indenture, the Loan Agreement, the Pledge and Assignment, the Tax Compliance Agreement, the Master Note No. 1, each Mortgage, each Assignment of Mortgage, the Original Master Indenture, the Supplemental Indenture No. 1, the Construction Oversight Consulting Services Agreement, the Continuing Disclosure Agreement, the Building Loan Agreement, any other document or instrument executed in connection therewith to secure the Institution's obligation to repay the Series 2019 Bonds or make the Debt Service Payments due under the Loan Agreement, and any other instrument or document supplemental thereto.

"Fiscal Year" means the fiscal year of the Institution currently commencing on January 1 and ending on December 31 of each year.

"Fixed Interest Rate" means the interest rates on the Bonds as set forth in this Indenture, from and including the date of issuance of the Bonds, through but not including the final maturity date on the Bonds.

"Governmental Authority" means the United States, the State, and any other state or any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of these, having jurisdiction over the construction, equipping, ownership, leasing, operation and/or maintenance of the Facility.

"Governmental Obligations" means (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal or interest on any of the foregoing; and (v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

13

Disclosure Agreement, the Building Loan Agreement, the Preliminary Official Statement and the Official Statement.

"Interest Payment Date" means each January 1 and July 1 (or the next succeeding Business Day if such first day is not a Business Day), commencing with July 1, 2020.

"Investment Agreement" means an agreement (including, but not limited to, repurchase agreements subject to a master repurchase agreement) for the investment of moneys with a Qualified Financial Institution.

"Issuer" means (i) Monroe County Industrial Development Corporation and its successors and assigns and (ii) any not-for-profit corporation resulting from or surviving any consolidation or merger to which the Monroe County Industrial Development Corporation or its successors or assigns may be a party.

"Issuer Documents" means the Bonds, this Indenture, the Loan Agreement, the Pledge and Assignment, each Assignment of Mortgage and the Tax Compliance Agreement.

"Land" means the real property which is the site of the Facility.

"Lien" means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar encumbrances, including but not limited to, mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For the purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Loan Agreement" means the Loan Agreement, dated as of December 1, 2019, by and between the Issuer and the Institution pursuant to which the Issuer loans the proceeds of the Series 2019 Bonds to the Institution with the debt-service payments thereunder to be in an amount sufficient to pay, among other things, the principal of and interest on the Series 2019 Bonds.

"Loss Event" means in the event that at any time during the term of the Loan Agreement, the whole or part of the Facility shall be damaged or destroyed, or the whole or any part of the Facility shall be taken or condemned by a competent authority for any public use or purpose, or by agreement between the Issuer and those authorized to exercise such right, or if the temporary use of the Facility or any part thereof shall be so taken by condemnation or agreement.

"Master Note No. 1" means the initial Obligation (as defined in the Master Indenture) issued by the Obligated Group Representative, on behalf of the Obligated Group, to the Trustee

15

"Hazardous Materials" means any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum-based products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, et seq.), Articles 15 or 27 of the New York Environmental Conservation Law, or any other applicable environmental law and the regulations promulgated thereunder.

"Home" means St. Ann's Home for the Aged, a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 1500 Portland Avenue, Rochester, New York 14621 and its successors and assigns.

"Home Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"Home Series 2014A Bonds" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Heritage" means St. Ann's Nursing Home Company, Inc., a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 1500 Portland Avenue, Rochester, New York 14621 and its successors and assigns.

"Heritage Facility" shall have the meaning assigned to such in term in the WHEREAS paragraphs of this Indenture.

"Heritage Series 2014A Bonds" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Indenture" means this Indenture of Trust, dated as of December 1, 2019, by and between the Issuer and the Trustee pursuant to which the Series 2019 Bonds are authorized to be issued, as may be amended or supplemented by any additional Supplemental Indenture.

"Independent Counsel" means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court in the State.

"Insitution" means the Home, the Heritage, the Sole Member, on behalf of itself and as the sole member of the CRIL, the CRA and the CRG, and the CO.

"Institution Documents" means the Loan Agreement, the Tax Compliance Agreement, the Master Note No. 1, each Mortgage, the Original Master Indenture, the Supplemental Indenture No. 1, the Construction Oversight Consulting Services Agreement, the Continuing

14

by way of endorsement from the Issuer pursuant to the terms of the Master Indenture and the Supplemental Indenture No. 1 to secure repayment of the Series 2019 Bonds.

"Master Trustee" means Wilmington Trust, National Association, its successors and assigns acting in its capacity as Master Trustee under the Master Trust Indenture.

"Master Trust Indenture" or "Master Indenture" shall have the meaning ascribed to such term in the recitals to this Indenture, as the same may be amended or supplemented from time to time.

"Mortgage" means, collectively, the Mortgage and Security Agreement (Acquisition Loan), the Mortgage and Security Agreement (Project Loan) and the Mortgage and Security Agreement (Building Loan), each dated as of December 1, 2019, from the Obligated Group Representative and the Institution to the Issuer, as assigned to the Master Trustee pursuant to each respective Assignment of Mortgage, and as may be amended, modified or supplemented from time to time.

"Net Proceeds" means so much of the gross proceeds with respect to which that term is used as remain after payment of all expenses, costs and taxes (including attorneys' fees and disbursements and Trustee's fees and disbursements) incurred in obtaining such gross proceeds.

"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 Trust Indenture and which is entitled to the benefits of the Master Trust Indenture.

"Obligated Group" means, collectively, all of the Obligated Group Members.

"Obligated Group Member" means the Home, the Heritage, the Sole Member, the CRIL, the CRA, the CRG, the CO and any other Person who has satisfied the requirements set forth in the Master Trust 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 Trust Indenture for ceasing to be an Obligated Group Member.

"Obligated Group Representative" shall mean the Parent, or any successor Obligated Group Representative appointed pursuant to Master Trust Indenture.

"Office of the Trustee" means the corporate trust officers of the Trustee located at 285 Delaware Avenue, 3<sup>rd</sup> Floor, Buffalo, New York 14202.

"Official Statement" means the Official Statement of the Issuer, dated the date thereof, with respect to the offering and sale of the Series 2019 Bonds.

"Opinion of Counsel" shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Loan Agreement or any other Financing Document) be counsel for the Institution or the Issuer and who shall be reasonably acceptable to the Trustee.

16

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those reasonable, out-of-pocket expenses normally incurred by a trustee or paying agent under instruments similar to this Indenture, including reasonable fees and disbursements of counsel to the Trustee.

"Outstanding" or "Bonds Outstanding" or "Outstanding Bonds" means when used with reference to a Bond or Bonds, as of any particular date, all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

- (i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;
- (ii) any Bond (or portion of a Bond) for the payment or redemption of which there has been separately set aside and held in the Bond Fund either:

(A) moneys and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bonds, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article II of the Indenture,

provided, however, that, in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, such Bonds including Series 2019 Bonds owned by the Institution or any affiliate of the Institution shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Institution or any affiliate of the Institution.

"Parent" means St. Ann's of Greater Rochester, Inc., or its successors or assigns.

17

under the Securities Act of 1933, having assets of at least \$100,000,000 and having a rating of "AAAm" or "AAAm-G" by a Rating Agency, including money market mutual funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

"Person" means an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision or branch thereof.

"Pledge and Assignment" means the Pledge and Assignment, dated as of December 1, 2019, by and between the Issuer and the Trustee, pursuant to which the Issuer assigns to the Trustee substantially all of its rights under the Loan Agreement (except the Unassigned Rights).

"Preliminary Official Statement" means the Preliminary Official Statement of the Issuer, dated the date thereof, as supplemented, with respect to the offering and sale of the Series 2019 Bonds.

"Prior Bonds" means, collectively, the Home Series 2014A Bonds, the Heritage Series 2014A Bonds, the CRIL Series 2014A Bonds, the CRA Series 2014A Bonds, the CRG Series 2014A Bonds and the CO Series 2014 Bonds.

"Project" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Project Costs" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Project Fund" means the fund so designated which is created by Section 4.01 of this Indenture.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Qualified Financial Institution" means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (A) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (B) whose senior unsecured long term debt is, at the time an investment with it is made, rated by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, by at least one nationally recognized statistical rating service, not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

19

"Participant" means any of those brokers, dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

"Paying Agent" means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to Article IX hereof, their respective successors and any other corporation which may at any time be substituted in their respective places pursuant to this Indenture.

"Permitted Collateral" means any of the following:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (A) matures within two hundred seventy (270) days after its date of issuance, (B) is rated in the highest short term rating category by at least one nationally recognized statistical rating service, and (C) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category.

"Permitted Encumbrances" means, in addition to the Pledge and Assignment, the Indenture and any other Financing Document, the meaning assigned to such term in the Master Trust Indenture.

"Permitted Investments" means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) collateralized certificates of deposit that are (A) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (B) are fully collateralized by Permitted Collateral; (vi) Investment Agreements that are fully collateralized by Permitted Collateral; (vii) commercial paper that (A) matures within two hundred seventy (270) days after its date of issuance, (B) is rated in the highest short term rating category by at least two of the three nationally recognized statistical rating services, and (C) is issued by a domestic corporation whose unsecured senior debt is rated by two of the three nationally recognized statistical rating services no lower than in the highest rating category and (viii) shares of a money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered

18

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America, or any foreign nation whose senior unsecured long term debt is, at the time an investment with it is made, rated by at least one nationally recognized statistical rating service no lower than in the third highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is, at the time an investment with it is made, rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality; or

(v) a corporation whose obligations, including any investments of any moneys held under the Indenture purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

"Rating Agency" means any nationally recognized securities rating agency.

"Rebate Amount" means the amount computed as described in the Tax Compliance Agreement.

"Rebate Fund" means the fund so designated pursuant to Section 4.01 of this Indenture.

"Record Date" means the Regular Record Date or the Special Record Date, as the case may be.

"Redemption Date" means the date determined by the Trustee, following receipt by the Trustee of notice from the Issuer or the Institution, on behalf of the Issuer, pursuant to this Indenture as of the date as of which a redemption shall be effective.

20

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable redemption premium, if any, payable thereon, plus accrued interest to the Redemption Date.

"Regular Record Date" means, with respect to any Bond Payment Date, the fifteenth (15<sup>th</sup>) day of the calendar month (whether or not a Business Day) next preceding such Bond Payment Date.

"Request for Disbursement" means a request for disbursement by the Institution to the Trustee substantially in the form of Exhibit B attached to this Indenture.

"Reserved Rights" means the Unassigned Rights.

"SEQR Act" means the State Environmental Quality Review Act, as amended and the regulations thereunder.

"Series 2019 Bonds" means the Issuer's \$108,825,000 original principal amount Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019.

"Sole Member" means St. Ann's Senior Housing, Inc., a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 and its successors and assigns.

"Special Record Date" means a date for the payment of interest on the Bonds after an Event of Default has occurred fixed by the Trustee pursuant to Section 2.03(b) of this Indenture.

"State" means the State of New York.

"Supplemental Indenture" means any indenture supplemental to or amendatory of this Indenture, which may be executed by the Issuer and the Trustee in accordance with Article X of this Indenture.

"Supplemental Indenture No. 1" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Tax Compliance Agreement" means the Tax Compliance Agreement, dated the Closing Date, by and between the Issuer and the Institution, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and this Indenture.

"Tax-Exempt Organization" means any corporation (or other entity) determined by the Internal Revenue Service to be exempt from taxation for federal income tax purposes.

"Trustee" means Wilmington Trust, National Association, a national association with banking powers organized and existing by virtue of the laws of the United States of America, as

(e) This Indenture shall be construed for the benefit of the Institution as well as for the parties hereto to the extent not inconsistent with the rights of the Trustee and the Holders.

(f) The use of the neuter gender shall include the masculine and feminine genders as well.

Trustee under the Indenture, and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as such hereunder.

"Trust Estate" means all Property which may from time to time become subject to the Lien of this Indenture.

"Unassigned Rights" shall mean collectively:

(i) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Loan Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Loan Agreement;

(iii) the right of the Issuer to enforce, in its own behalf, the obligation of the Institution to complete the Project;

(iv) the right of the Issuer, in its own behalf (or on behalf of the appropriate taxing authorities), to enforce, receive amounts payable under or otherwise exercise its rights under Sections 1.5, 2.1, 2.2, 3.1, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 5.1, 6.1, 6.2, 6.3, 6.5, 6.6, 6.10, 6.11, 6.13, 6.18, 6.19, 7.7, 8.1, 8.2, 8.4, 9.3, 9.10, 9.13, 9.17, 9.18 and 9.19 of the Loan Agreement; and

(v) the right of the Issuer, in its own behalf, to declare an Event of Default under Section 7.1 of the Loan Agreement with respect to any of the Reserved Rights.

"Underwriter" means B.C. Ziegler and Company and its successors or assigns.

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption or calling for redemption of Bonds shall not be deemed to refer to or connote the payment of Bonds at their stated maturity.

(c) All references herein to particular articles or sections are references to articles or sections of this Indenture.

(d) The table of contents and headings of the several Sections herein are solely for convenience of reference and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Indenture.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.01. Authorized Amount of Bonds. No Bonds may be authenticated and issued under the provisions of this Indenture except in accordance with this Article II. Except as otherwise provided in Section 2.08 and Section 2.13 hereof, the aggregate principal amount of the Series 2019 Bonds which may be authenticated and issued under this Indenture is \$108,825,000.00.

Section 2.02. Purpose for Which Series 2019 Bonds May Be Issued. The Series 2019 Bonds may be issued only for the purpose of providing funds to pay the Cost of the Facility. Each series of Additional Bonds shall be issued only for the purpose provided in the Supplemental Indenture executed in connection therewith.

Section 2.03. Issuance of Series 2019 Bonds: Details of the Series 2019 Bonds.

(a) The Series 2019 Bonds shall be designated "Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019" and shall be issued in the aggregate principal amount of \$108,825,000. The Series 2019 Bonds shall be issuable without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. Unless the Issuer shall otherwise direct, the Series 2019 Bonds shall be lettered "R" and shall be numbered consecutively from R-1 upwards, in the order of issuance according to the records of the Trustee.

The Series 2019 Bonds shall be dated the Closing Date, and shall bear interest from such date, or from the most recent Bond Payment Date to which interest has been paid, payable semi-annually on January 1 and July 1 of each year, commencing with July 1, 2020.

The Series 2019 Bonds shall mature on January 1 of each of the following years, in the following respective principal amounts and shall bear interest at the following respective per annum interest rates computed on the basis of a three hundred sixty (360) day year composed of twelve (12) thirty (30) day months:

#### Term Bonds

| Year | Principal Amount | Interest Rate |
|------|------------------|---------------|
| 2030 | \$19,750,000     | 4.00%         |
| 2040 | 33,895,000       | 5.00          |
| 2050 | 55,180,000       | 5.00          |

The Bonds shall be subject to sinking fund redemptions in accordance with Section 3.01(b) hereof.

(b) Except as provided in Section 2.12 herein, the principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the Office of

the Trustee, or of its successor in trust. Interest on Bonds due on any Bond Payment Date shall be payable to the Person in whose name such Bond is registered at the close of business on the Regular Record Date with respect to such Bond Payment Date, irrespective of any transfer or exchange of such Bond subsequent to such Regular Record Date and prior to such Bond Payment Date, unless the Issuer shall default in the payment of interest due on such Bond Payment Date. In the event of any such default, such defaulted interest shall be payable to the Person in whose name such bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest established by notice mailed by the Trustee to the Owners of Bonds not less than fifteen (15) days preceding such Special Record Date. Such notices shall be mailed to the Persons in whose name the Bonds are registered at the close of business on the fifth (5<sup>th</sup>) day preceding the date of mailing. Payment of interest on the Bonds will be made by (i) check or draft mailed to the address of the Person in whose name such Bonds are registered, as such address appears on the registration books maintained by the Trustee, or (ii) at such other address furnished to the Trustee in writing by the Holder at least five (5) Business Days prior to the date of payment, or at the election of an Owner of at least \$1,000,000 aggregate principal amount of Bonds, by bank wire transfer to a bank account maintained by such Owner in the United States of America designated in written instructions delivered to the Trustee at least five (5) Business Days prior to the date of such payment, which written instructions may relate to multiple Bond Payment Dates.

#### Section 2.04. Execution; Special Obligations.

(a) The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, Vice President or Executive Director. Each such facsimile signature shall have the same force and effect as if manually signed. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature shall, nevertheless, be valid and sufficient for all purposes as if he had remained in office until such delivery; and any Bond may be signed on behalf of the Issuer, manually or in facsimile, by the person who, on the date of execution of such Bond, shall be the proper officer of the Issuer, although on the date of execution of this Indenture such person was not such officer.

(b) The Bonds and the premium, if any, and interest thereon shall be special obligations of the Issuer payable solely from the Trust Estate. THE BONDS AND INTEREST THEREON ARE NOT A DEBT OF THE STATE, MONROE COUNTY, NEW YORK, OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER), AND NEITHER THE STATE, MONROE COUNTY, NEW YORK NOR ANY SUCH POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) SHALL BE LIABLE THEREON.

Section 2.05. Authentication. No Bond shall be valid for any purpose or shall be entitled to any right or benefit hereunder unless there shall be endorsed on such Bond a Certificate of Authentication substantially in the form attached hereto as part of Exhibit A duly executed by the Trustee. Such executed Certificate of Authentication by the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Certificate of Authentication on any Bond shall be deemed to have been executed

25

execute, acknowledge and deliver this Indenture, and all other instruments necessary or proper in connection with the exercise by the Trustee of its duties under this Indenture; and the due authentication by the Trustee of the Series 2019 Bonds;

(vi) an opinion of counsel for the Issuer, dated as of the Closing Date, to the effect that the Issuer is a duly organized and existing not-for-profit local development corporation; and that each of the Financing Documents to which the Issuer is a party has been duly authorized by the Issuer, is in full force and effect and is valid and binding upon the Issuer in accordance with its terms; and addressing such other matters as the Trustee, the Underwriter or Bond Counsel may request;

(vii) an opinion of counsel to the Trustee, dated as of the Closing Date, as to the valid existence of the Trustee; the due authorization, execution and delivery by the Trustee of this Indenture; and such other matters as the Issuer, the Underwriter or Bond Counsel may reasonably request;

(viii) an opinion or opinions of counsel to the Institution, dated as of the Closing Date, as to the valid existence of the Institution; the status of the Institution as an organization described in Section 501(c)(3) of the Code or a disregarded entity of such an organization; the due authorization, execution and delivery by the Institution of the Financing Documents to which the Institution is a party and the Bond Purchase Contract; the absence of material litigation involving the Institution; and such other matters as the Issuer, the Underwriter or Bond Counsel may request;

(ix) an opinion of Bond Counsel, dated as of the Closing Date, to the effect that (A) the Issuer is duly authorized and entitled to issue the Series 2019 Bonds, (B) upon the execution, authentication and delivery thereof, the Series 2019 Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Issuer, (C) under existing law, the interest on the Series 2019 Bonds is excluded from gross income for Federal income tax purposes except under certain conditions to be more fully expressed in such opinion, and (D) under existing law, the interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof;

(x) an authorization to the Trustee, signed by an Authorized Representative of the Issuer, to authenticate and deliver the Series 2019 Bonds to the purchaser or purchasers therein identified upon the terms specified therein;

(xi) notice from any rating agencies rating the Series 2019 Bonds on the Closing Date, if any, of the rating(s) to be assigned the Series 2019 Bonds on the Closing Date;

(xii) UCC-1 financing statements relating to (i) the security interests granted pursuant to this Indenture to the Trustee, (ii) the Pledge and Assignment, (iii) the security interests granted pursuant to the Master Trust Indenture to the Master Trustee and (iv) each of the security interests granted to the Master Trustee pursuant to each Mortgage;

27

by the Trustee if signed by an authorized signatory of the Trustee but it shall not be necessary that the same person sign the Certificate of Authentication on all of the Bonds issued hereunder.

#### Section 2.06. Form of Series 2019 Bonds; Preparation of Series 2019 Bonds.

(a) The Series 2019 Bonds issued under this Indenture shall be substantially in the form set forth in Exhibit A hereto with such appropriate variations, omissions and insertions as are permitted or required by this Indenture. Each Series of Additional Bonds issued under this Indenture shall be substantially in the form provided for in the Supplemental Indenture executed by the Issuer and the Trustee in connection therewith in accordance with Article X hereof.

(b) The Series 2019 Bonds shall be prepared, executed and delivered to the Trustee in the form of typewritten bonds printed on bond safety paper.

#### Section 2.07. Delivery of Series 2019 Bonds.

(a) Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver the Series 2019 Bonds to the Trustee and the Trustee shall authenticate the Series 2019 Bonds and deliver them upon receipt of the Bond Proceeds in accordance with the directions of the Issuer and the provisions of this Section 2.07.

(b) Prior to or simultaneously with the delivery by the Trustee of the Series 2019 Bonds there shall be filed with the Trustee the following:

(i) original executed counterparts of the Financing Documents and the Bond Purchase Contract;

(ii) a copy, duly certified by the Issuer, of the Bond Resolution authorizing the execution and delivery of the Financing Documents, the Bond Purchase Contract and the issuance, execution and delivery of the Series 2019 Bonds;

(iii) a certificate of the Issuer, dated as of the Closing Date, regarding the corporate existence of the Issuer; the due authorization, execution and delivery by the Issuer of each of the Issuer Documents; the absence of material litigation involving the Issuer; the absence of defaults by the Issuer; and such other matters as the Trustee, the Underwriter or Bond Counsel may request;

(iv) a certificate of the Institution, dated as of the Closing Date, regarding the valid corporate existence of the Institution; the due authorization, execution and delivery by the Institution of the Institution Documents; the absence of material litigation involving the Institution; and the absence of defaults by the Institution; and such other matters as the Issuer, the Trustee, the Underwriter or Bond Counsel may request;

(v) a certificate of the Trustee, dated as of the Closing Date, regarding the organization and existence of the Trustee; the due authorization, execution and delivery by the Trustee of this Indenture; the incumbency of officers of the Trustee authorized to

26

(xiii) mortgagee title insurance policy or policies on the mortgaged premises or a marked up title report evidencing a commitment to issue such policy issued by a title insurance company insuring the Lien of each Mortgage as a mortgage lien, in form and substance satisfactory to the Master Trustee, as assignee mortgagee under the Mortgage, in the face amount equal to the initial aggregate principal amount of the Series 2019 Bonds (or such lesser amount as set forth in each Mortgage);

(xiv) a copy of Resolution No. 100 of 2010 of the Monroe County Legislature (the "County Resolution");

(xv) to the extent not previously provided, certificates for policies of insurance with the coverages required to be delivered to the Trustee by the Loan Agreement; and

(xvi) such other documents as the Trustee, its counsel or Bond Counsel may reasonably require.

#### Section 2.08. Mutilated, Lost, Stolen or Destroyed Bonds.

(a) In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and, upon its request, the Trustee shall authenticate and deliver a new Bond of like maturity, interest rate and principal amount as the mutilated, destroyed, lost or stolen Bond, in exchange for the mutilated Bond or in substitution for the Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and to the Trustee (i) such security or indemnity as may be required by them to save each of them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Bond and/or the ownership thereof. Upon the issuance of any Bond upon such exchange or substitution, the Issuer or the Trustee may require the payment by the Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer or the Trustee. In case any Bond which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Issuer may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and to the Trustee such security or indemnity as they may require to save them harmless and evidence to the satisfaction of the Issuer and the Trustee of the mutilation, destruction, loss or theft of such Bond and of the ownership thereof. In executing a new Bond or authorizing payment of any mutilated, lost, stolen or destroyed Bond, the Issuer may rely conclusively upon a representation by the Trustee that the Trustee is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Bond and the ownership thereof.

(b) Every Bond issued pursuant to the provisions of this Section 2.08 shall constitute an additional contractual obligation of the Issuer (whether or not the mutilated, destroyed, lost or stolen Bond shall be found at any time to be enforceable) and shall be entitled to all the benefits of this Indenture equally and proportionately with all other Bonds duly issued under this Indenture.

28

(c) All Bonds shall be held and owned upon the express condition that the provisions of this Section 2.08 are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds and shall preclude all other rights or remedies notwithstanding any law or statute existing or hereinafter enacted to the contrary.

Section 2.09. Negotiability of Bonds and Registration Books.

(a) All Bonds issued under this Indenture shall be subject to the provisions for registration and transfer contained in this Indenture and in the Bonds.

(b) So long as any Bonds shall remain Outstanding, the Issuer shall maintain books at the Office of the Trustee for the registration of transfer of Bonds. The Trustee is hereby appointed Bond Registrar for the purpose of registering transfers on such registration books. By executing this Indenture, the Trustee accepts the duties and obligations of Bond Registrar for the Issuer. The Trustee, as Bond Registrar, shall register on such books and permit to be transferred thereon, under such reasonable regulations as the Issuer or the Trustee may prescribe, any Bond entitled to registration or transfer.

Section 2.10. Transfer of the Bonds.

(a) Each Bond shall be transferable only on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar. Upon surrender thereof at the Office of the Trustee, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Trustee duly executed by the Owner or his attorney duly authorized in writing and in either case accompanied by a guaranty of signature satisfactory to the Trustee, the Issuer shall execute and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, a new Bond or Bonds in authorized denominations for a like aggregate principal amount.

(b) The Issuer, the Trustee, and any Paying Agent may deem and treat the Person in whose name any Bond shall be registered upon the books of the Issuer on the Record Date as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or Redemption Price of and interest on such Bond and for all other purposes. All such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability of the Issuer upon such Bond to the extent of the sum or sums so paid. Neither the Issuer, the Trustee, nor any Paying Agent shall be affected by any notice to the contrary. Any Owner may designate a nominee in whose name such Bond may be registered.

Section 2.11. Regulations with Respect to Transfers.

(a) The Trustee shall not be required to exchange or register a transfer of (1) any Bonds during the fifteen (15) day period next preceding (i) a Bond Payment Date or (ii) the date of selection of Bonds to be redeemed and thereafter until the date of the mailing of a notice of redemption of Bonds selected for redemption, or (2) any Bonds selected, called or being called for redemption in whole or in part except, in the case of any Bond to be redeemed in part, the portion thereof not so to be redeemed.

29

(c) In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Issuer will discontinue the book-entry system with the Depository with respect to the Bonds. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturities of the applicable Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Issuer fails to identify another qualified securities depository to replace the Depository then the Bonds shall no longer be restricted to being registered in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of the Indenture.

(d) The initial Depository shall be DTC. The initial Nominee shall be Cede & Co., as the Nominee of DTC.

(e) In order to qualify certain issues of the Issuer, including the Bonds, for the Depository's book-entry system, an Authorized Representative of the Issuer has executed and delivered to the Depository a Blanket Letter of Representations, dated October 4, 2010 (the "Letter of Representations"). The execution and delivery of the Letter of Representations shall not in any way limit the provisions of this Section 2.12 or in any other way impose upon the Issuer any obligation whatsoever with respect to Persons having interests in the Bonds other than the Owners, as shown on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar. The Trustee has certified that it has accepted the duties and obligations of F.A.S.T. Agent to the Depository in connection with the Bonds. In addition to the execution and delivery of the Letter of Representations, the Issuer shall take such other actions, not inconsistent with this Section 2.12, as are reasonably necessary to qualify the Bonds for the Depository's book-entry program.

Section 2.13. Additional Bonds.

(a) Provided the Institution is in compliance with the requirements of the Master Trust Indenture for incurring Additional Obligations (as defined in the Master Trust Indenture), the Issuer may issue Additional Bonds hereunder from time to time on a pari passu basis with the Series 2019 Bonds issued hereunder for any of the purposes listed below:

(1) To pay the cost of completing the Facility or completing an addition thereto based on the original general design and scope of the Facility or such addition thereto set forth in the original plans and specifications therefor, with such changes as may have become necessary to carry out such original design, or to reimburse expenditures of the Institution for any such costs;

(2) To pay the cost of Capital Additions or to reimburse expenditures of the Institution for any such cost;

(3) To pay the cost of refunding through redemption of any Outstanding Bonds issued under this Indenture and subject to such redemption; or

31

(b) All Bonds surrendered in any transfer shall forthwith be canceled in accordance with the provisions of Section 5.13 hereof.

(c) For every transfer of Bonds, the Issuer and the Trustee may make a charge sufficient to reimburse them for (i) any tax, fee or other governmental charge required to be paid with respect to such transfer, (ii) the cost of preparing each new Bond, and (iii) any other expenses of the Issuer or the Trustee, as the case may be, incurred in connection therewith, and any such charges shall be paid by the Institution.

Section 2.12. Book-Entry System. (a) The Series 2019 Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Series 2019 Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the name of the Nominee (as defined in paragraph (d) of this Section 2.12), as nominee of the Depository. Except as provided in Section 2.12(c) hereof, all of the Outstanding Bonds shall be registered in the name of the Nominee.

(b) With respect to the Bonds registered in the name of the Nominee, the Issuer and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery or timeliness of delivery by the Depository to any Participant or by a Participant to any other Person, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Issuer redeems the Bonds in part, (iv) the payment by the Depository to any Participant or by any Participant to any other Person, of any amount with respect to the principal amount of, Redemption Price, if any, or interest on the Bonds, or (v) any consent given or other action taken by the Depository, or the Nominee, as Owner. The Issuer and the Trustee may treat and consider the Person in whose name each Bond is registered as the holder and absolute owner of such Bond for the purpose of payment of the principal amount, Redemption Price, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal amount of, Redemption Price, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of the principal amount of, Redemption Price, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, shall receive a Bond evidencing the obligation of the Issuer to make payments of the principal amount of, Redemption Price, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Owner, the Trustee and the Issuer of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the term "Nominee" in this Indenture shall refer to such nominee of the Depository.

30

(4) To pay the cost of any additional project approved by the Issuer.

(b) In any such event the Trustee shall, at the written request of the Issuer, authenticate the Additional Bonds and deliver them as specified in the request, but only upon receipt of:

(1) (A) a Supplemental Indenture setting forth the terms of the Additional Bonds and, for Additional Bonds described in subsection (a)(2) or (4) above, describing the Capital Additions to become part of the Facility; (B) a supplement to the Loan Agreement providing for additional Debt Service Payments to be made by the Institution sufficient to cover the debt service due on the Additional Bonds and (C) an obligation under the Master Trust Indenture or a supplement to the Master Note No. 1 evidencing the Institution's obligations for the additional payments to be made by the Institution under the Loan Agreement as provided in the supplement to the Loan Agreement referenced in item (B) above.

(2) for Additional Bonds described in subsection (a)(1), (a)(2) or (a)(4) above, a certificate signed by an Authorized Representative of the Institution stating that the proceeds of the Additional Bonds plus other amounts, if any, available to the Institution for the purpose will be sufficient to pay the cost thereof; and (ii) payments and additional payments, if any, scheduled to be paid by the Institution under the Loan Agreement will be adequate to satisfy all of the Debt Service Payments required to be made on the Bonds to remain Outstanding during the remaining life thereof; provided, however, such Additional Bonds shall not be issued to cure any deficiencies existing on the date of such certification in any funds required to be maintained under this Indenture;

(3) for Additional Bonds described in subsection (a)(1) above, (i) a certificate of the Institution stating (A) the estimated cost of completion of the Facility or the addition thereto and (B) that all approvals required for completion of the Facility or addition thereto have been obtained, other than building permits for any portions of the Facility or such addition thereto which, based on consultations with the Institution and contractor or other construction manager, will be obtained in due course so as not to interrupt or delay construction of the Facility or such addition thereto and other than licenses or permits required for occupancy or operation of the Facility or such addition thereto upon its completion;

(4) for Additional Bonds described in subsection (a)(3) above, (A) a certificate of an Authorized Representative of the Institution that notice of redemption of the Bonds to be refunded has been given or that provisions have been made therefor, and (B) a certificate of an Accountant stating that the proceeds of the Additional Bonds plus the other amounts, if any, stated to be available for the purpose, will be sufficient to accomplish the purpose of the refunding and to pay the cost of refunding, which shall be itemized in reasonable detail;

(5) for any Additional Bonds, a certified resolution of the Issuer (A) stating the purpose of the issue, (B) establishing the series of Additional Bonds to be issued and

32

providing the terms and form of Additional Bonds thereof and directing the payments to be made into the funds established hereunder, (C) authorizing the execution and delivery of the Additional Bonds to be issued and (D) authorizing redemption of any previously issued Bonds which are to be refunded;

(6) for any Additional Bonds, a certificate of an Authorized Representative of the Institution stating (A) that no Event of Default hereunder or under the Loan Agreement or under the Master Note No. 1 has occurred and is continuing (except, in the case of Additional Bonds described in subsection (a)(1) above, for an Event of Default, if any, resulting from non-completion of the Facility or an addition thereto) and (B) that the proceeds of the Additional Bonds plus other amounts, if any, stated to be available for that purpose will be sufficient to pay the costs for which the Additional Bonds are being issued, which shall be itemized in reasonable detail;

(7) for any Additional Bonds, a certified resolution of the Board of Directors of the Parent and/or the Institution (A) approving the issuance of the Additional Bonds and the terms thereof, (B) authorizing the execution of any required amendments or supplements to this Indenture, the Master Trust Indenture and the Loan Agreement, (C) for Additional Bonds described in subsection (a)(1) or (2) above, approving plans and specifications for the Facility or an addition thereto, and (D) for Additional Bonds described in subsection (a)(3) above, authorizing redemption of the Bonds to be refunded;

(8) for any Additional Bonds, an opinion or opinions of Bond Counsel to the effect that (A) the purpose of the Additional Bonds is one for which Additional Bonds may be issued under this Section, (B) all conditions prescribed herein as precedent to the issuance of the Additional Bonds have been fulfilled, (C) the Additional Bonds have been validly authorized and executed and when authenticated and delivered pursuant to the request of the Issuer will be valid, legally binding, special obligations of the Issuer, and are entitled to the benefit and security of this Indenture, (D) all consents of any regulatory bodies required as a condition to the valid issuance of the Additional Bonds have been obtained and (E) issuance of such Additional Bonds will not adversely affect the tax status of Outstanding Bonds;

(9) for any Additional Bonds, a certificate of an Authorized Representative of the Institution stating that all of the requirements of the Master Trust Indenture for the incurrence of Additional Obligations (as defined in the Master Trust Indenture) have been satisfied; and

(10) for Additional Bonds described in Subsection (a)(1), (a)(2) or (a) (4) above, an opinion of Independent Counsel to the Institution reasonably acceptable to the Issuer.

33

| Sinking Fund Redemption Dates | Sinking Fund Redemption Amounts |
|-------------------------------|---------------------------------|
| January 1, 2031               | \$2,695,000                     |
| January 1, 2032               | 2,830,000                       |
| January 1, 2033               | 2,970,000                       |
| January 1, 2034               | 3,120,000                       |
| January 1, 2035               | 3,275,000                       |
| January 1, 2036               | 3,440,000                       |
| January 1, 2037               | 3,610,000                       |
| January 1, 2038               | 3,795,000                       |
| January 1, 2039               | 3,980,000                       |
| January 1, 2040*              | 4,180,000                       |

\*Stated maturity.

The Series 2019 Bonds maturing on January 1, 2050 are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

| Sinking Fund Redemption Dates | Sinking Fund Redemption Amounts |
|-------------------------------|---------------------------------|
| January 1, 2041               | \$4,385,000                     |
| January 1, 2042               | 4,605,000                       |
| January 1, 2043               | 4,835,000                       |
| January 1, 2044               | 5,080,000                       |
| January 1, 2045               | 5,335,000                       |
| January 1, 2046               | 5,600,000                       |
| January 1, 2047               | 5,880,000                       |
| January 1, 2048               | 6,175,000                       |
| January 1, 2049               | 6,480,000                       |
| January 1, 2050*              | 6,805,000                       |

\*Stated maturity.

Not less than thirty (30) days nor more than sixty (60) days next preceding a sinking fund redemption date, the Trustee shall select for redemption on such date a principal amount of Series 2019 Bonds subject to redemption, in an amount not exceeding that necessary to complete the retirement of an aggregate principal amount of Series 2019 Bonds equal to such sinking fund redemption amount, as of such sinking fund redemption date. Accrued interest and principal on such Series 2019 Bonds so redeemed shall be paid from the Bond Fund, and all expenses in connection with such redemption shall be paid by the Institution. All Series 2019 Bonds shall be redeemed in the manner provided in Sections 3.02 and 3.03 hereof. The Institution may, at its election upon delivery to the Trustee of a certificate signed by an Authorized Representative of the Institution, apply as a credit against the aggregate principal amount of Series 2019 Bonds subject to redemption on such sinking fund redemption date the principal amount of Series 2019 Bonds of the same maturity acquired by the Institution and delivered to the Trustee for cancellation not less than ninety (90) days prior to such sinking fund redemption date, or

35

## ARTICLE III

### REDEMPTION OF BONDS PRIOR TO MATURITY

#### Section 3.01. Redemption Dates and Prices.

(a) Special Redemption. The Series 2019 Bonds are subject to redemption prior to maturity at the option of the Issuer (exercised at the direction of the Authorized Representative of the Institution), in whole or in part on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of Series 2019 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Facility to which such proceeds relate, and (ii) from unexpended proceeds of the Series 2019 Bonds upon the abandonment of all or a portion of the Facility to which such unexpended proceeds relate due to a legal or regulatory impediment.

If the Series 2019 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described above, the Institution is required under the Loan Agreement to deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Institution stating that, as a result of the occurrence of the event giving rise to such redemption, the Institution has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

(b) Mandatory Sinking Fund Redemption of Series 2019 Bonds Without Premium. The Series 2019 Bonds maturing on January 1, 2030 are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

| Sinking Fund Redemption Dates | Sinking Fund Redemption Amounts |
|-------------------------------|---------------------------------|
| January 1, 2021               | \$1,145,000                     |
| January 1, 2022               | 1,200,000                       |
| January 1, 2023               | 1,245,000                       |
| January 1, 2024               | 2,045,000                       |
| January 1, 2025               | 2,125,000                       |
| January 1, 2026               | 2,215,000                       |
| January 1, 2027               | 2,300,000                       |
| January 1, 2028               | 2,395,000                       |
| January 1, 2029               | 2,490,000                       |
| January 1, 2030*              | 2,590,000                       |

\*Stated maturity.

The Series 2019 Bonds maturing on January 1, 2040 are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

34

redeemed otherwise than pursuant to an optional redemption as provided herein which have not theretofore been used for the purposes of any such credit.

(c) Reserved.

(d) Reserved.

(e) Optional Redemption. The Series 2019 Bonds are subject to redemption by the Issuer at the option of the Institution on or after January 1, 2026, in whole or in part at any time, at the following prices expressed in percentages of their principal amount to be redeemed, plus accrued interest to the Redemption Date:

| Redemption Dates (both dates inclusive)   | Redemption Price |
|---|------------------|
| January 1, 2026 through December 31, 2026 | 103%             |
| January 1, 2027 through December 31, 2027 | 102              |
| January 1, 2028 through December 31, 2028 | 101              |
| January 1, 2029 and thereafter            | 100              |

The Trustee shall call Series 2019 Bonds for redemption pursuant to this Section 3.01(e) upon receipt of notice from the Issuer, or the Institution on behalf of the Issuer, directing such redemption, which notice shall be sent to the Trustee at least twenty (20) days prior to the Redemption Date or such fewer number of days as shall be acceptable to the Trustee and shall specify (i) the principal amount of Series 2019 Bonds so to be called for redemption and (ii) the Redemption Price. The Issuer shall direct the Trustee to call Series 2019 Bonds for optional redemption when and only when it shall have been notified by the Institution to do so.

(f) Purchase of Series 2019 Bonds in Lieu of Redemption. If the Series 2019 Bonds are called for redemption in whole or in part pursuant to the terms of this Indenture, the Series 2019 Bonds called for redemption may be purchased in lieu of redemption in accordance with this Section 3.01(f). Purchase in lieu of redemption shall be available for all of the Series 2019 Bonds called for redemption or for such lesser portion of such Series 2019 Bonds as constitute authorized denominations hereunder. The Institution may direct the Trustee to purchase all or such lesser portion of the Series 2019 Bonds so called for redemption. Any such direction to the Trustee must:

(i) be in writing;

(ii) state either that all of the Series 2019 Bonds called for redemption are to be purchased or, if less than all of the Series 2019 Bonds called for redemption are to be purchased, identify those Series 2019 Bonds to be purchased in authorized denominations; and

(iii) be received by the Trustee no later than 12:00 noon, New York City time, one (1) Business Day prior to the Redemption Date.

36



If so directed, the Trustee shall purchase such Series 2019 Bonds on the date which otherwise would be the date of redemption of the Series 2019 Bonds. Any of the Series 2019 Bonds called for redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required by this Indenture on the date set for redemption. On or prior to the scheduled redemption date, any direction given to the Trustee pursuant to this Section 3.01(f) may be withdrawn by notice to the Trustee. The purchase shall be made for the account of the Institution or its designee. The purchase price of the Series 2019 Bonds shall be equal to the Outstanding principal of, accrued and unpaid interest on, and the redemption premium, if any, which would have been payable on such Series 2019 Bonds on the applicable redemption date for such redemption. To pay the purchase price of such Series 2019 Bonds, the Trustee shall use such moneys (including, to the extent applicable, moneys on deposit in the various funds and accounts established under this Indenture except the Rebate Fund) that the Trustee would have used to pay the Outstanding principal of, accrued and unpaid interest on, and the redemption premium, if any, that would have been payable on the Series 2019 Bonds on the date set for redemption. The Trustee shall not purchase the Series 2019 Bonds pursuant to this Section 3.01(f) if, by no later than the date set for redemption, sufficient moneys have not been deposited with the Trustee, or such moneys are deposited, but are not available. No notice of the purchase in lieu of redemption shall be required to be given to the Holders (other than the notice of redemption otherwise required under this Indenture).

#### Section 3.02. Notice of Redemption

(a) When Series 2019 Bonds are to be redeemed pursuant to Section 3.01 hereof, the Trustee shall give notice of the redemption of the Series 2019 Bonds in the name of the Issuer and at the expense of the Institution stating: (1) the Series 2019 Bonds to be redeemed; (2) the Redemption Date; (3) that such Series 2019 Bonds will be redeemed at the Office of the Trustee; (4) that on the Redemption Date there shall become due and payable upon each Series 2019 Bond to be redeemed the Redemption Price thereof (except in the case of a redemption pursuant to Section 3.01(b) hereof, in which case the principal will be due and payable on the Redemption Date and the interest will be paid on such date as provided in Article II hereof) and (5) that from and after the Redemption Date interest thereon shall cease to accrue. With respect to any redemption under Section 3.01(c) hereof, any such notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee, on or prior to the Redemption Date, of moneys sufficient, together with any other moneys held by the Trustee and available therefor, to pay on the Redemption Date the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received on or prior to the Redemption Date such notice shall be of no force or effect and such Bonds shall not be required to be redeemed.

(b) The Trustee shall mail a copy of the notice required by this Section 3.02, postage prepaid, not less than twenty (20) days nor more than sixty (60) days prior to the Redemption Date, to each Holder at the address of such Holder appearing on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar. Such mailing shall not be a condition precedent to such redemption, and failure to so mail any such notice to any of such Holders shall not affect the validity of the proceedings for the redemption of the Series 2019 Bonds.

37

(a) Monroe County Industrial Development Corporation Project Fund (St. Ann's Community Project), Series 2019 (the "Project Fund"), within which there shall be a Capitalized Interest Account relating to the 2019 Home Facility;

(b) Monroe County Industrial Development Corporation Bond Fund (St. Ann's Community Project), Series 2019 (the "Bond Fund");

(c) Monroe County Industrial Development Corporation Rebate Fund (St. Ann's Community Project), Series 2019 (the "Rebate Fund"), within which there shall be two (2) accounts: (1) the Principal Account and (2) the Earnings Account and

(d) Monroe County Industrial Development Corporation Earnings Fund (St. Ann's Community Project), Series 2019 (the "Earnings Fund").

Section 4.02. Application of Series 2019 Bonds Proceeds and Allocation Thereof. Upon the receipt of the proceeds of the Bonds, the Trustee shall deposit such proceeds as follows:

(a) In the Bond Fund: all accrued interest, if any, paid by the purchaser of the Series 2019 Bonds; and

(b) In the Project Fund: the balance of the proceeds received from the sale of the Series 2019 Bonds provided that, of such balance of the proceeds of the Series 2019 Bonds, the Trustee shall credit to the Capitalized Interest Account of the Project Fund such amount as is certified to the Trustee by the Issuer.

Section 4.03. Moneys to be Held in Trust. All moneys deposited with, paid to or received by the Trustee for the account of the Issuer shall be held by the Trustee in trust and shall be subject to the Lien of this Indenture and held for the security of the Holders until paid in full, subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein; provided, however, that moneys which have been deposited with, paid to, or received by the Trustee (i) for the redemption of a portion of the Bonds, notice of the redemption of which has been given or (ii) for the payment of Bonds or interest thereon due and payable otherwise than by acceleration, notice of the acceleration of which has been given by declaration, shall be held in trust for and subject to a Lien in favor of only the Holders of such Bonds so called for redemption or so due and payable; and provided further that moneys paid to the Trustee to be deposited into the Rebate Fund shall not be subject to the Lien of this Indenture and shall be applied only as provided in Section 4.09 hereof.

#### Section 4.04. Use of the Moneys in the Project Fund.

(a) Moneys in the Project Fund shall be applied and expended by the Trustee in accordance with the provisions of the Loan Agreement and particularly Section 2.4 thereof and this Section 4.04; provided further that, during the time prior to the Completion Date, the Trustee is hereby authorized to disburse from the Capitalized Interest Account of the Project Fund on the Business Day prior to an Interest Payment Date for the Series 2019 Bonds, for deposit into the Bond Fund, such amount as set forth on Schedule A attached hereto with respect to such date,

39

#### Section 3.03. Payment of Redeemed Series 2019 Bonds

(a) After notice shall have been given in the manner provided in Section 3.02 hereof, the Series 2019 Bonds or portions thereof called for redemption shall become due and payable on the Redemption Date so designated. Upon presentation and surrender of such Series 2019 Bonds at the Office of the Trustee or as otherwise provided in Sections 2.03(b) hereof, such Series 2019 Bonds shall be paid at the Redemption Price, plus accrued interest to the Redemption Date from moneys on deposit with the Trustee and part of the Trust Estate.

(b) If, on the Redemption Date, moneys for the redemption of all Series 2019 Bonds or portions thereof to be redeemed, together with interest thereon to the Redemption Date, shall be held by the Trustee in the Bond Fund so as to be available therefor on such date, the Series 2019 Bonds or portions thereof so called for redemption shall cease to bear interest, and such Series 2019 Bonds or portions thereof shall no longer be Outstanding hereunder or be secured by or be entitled to the benefits of this Indenture. In the event the Owner fails to present or surrender its Series 2019 Bonds on the Redemption Date, the Trustee shall deposit such moneys in a separate non-interest bearing account, in trust for the benefit of such Owner, and the funds held in such account shall not be invested by the Trustee. If such moneys shall not be available on the Redemption Date, such Series 2019 Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of this Indenture; additionally, the Trustee shall within fifteen (15) days after the proposed Redemption Date notify all affected Holders that the redemption has been revoked.

Section 3.04. Partial Redemption of Series 2019 Bonds. Upon surrender of any Bonds for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder thereof a new Bond or Bonds of the same series in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 3.05. Selection of Bonds to be Called for Redemption If less than all Bonds of the same series and maturity are to be redeemed, the Bonds of such series and maturity to be called for redemption shall be selected by lot. If less than all of the Bonds of the same series and different maturities are to be redeemed, the Bonds to be redeemed shall be as directed by the Authorized Representative of the Institution in writing, or if no such written direction is received by the Trustee, the principal amount of such redemption shall be applied in inverse order of maturity and by lot within a maturity.

### ARTICLE IV

#### FUNDS, REVENUES, BOND PROCEEDS AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts. The following trust funds and accounts therein are hereby established with the Trustee and shall be held, maintained and administered by the Trustee on behalf of the Issuer in accordance with this Indenture:

38

relating to the 2019 Home Facility (or, if insufficient funds are then on deposit, the balance of such Capitalized Interest Account).

(b) The Trustee is hereby authorized to disburse from the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks (or, at the direction of the Institution, make wire transfers) for each disbursement from the Project Fund, upon receipt of a requisition (in substantially the form attached hereto as Exhibit B) submitted to the Trustee, and signed by an Authorized Representative of the Institution and, with respect to the 2019 Home Facility, approved by the Construction Consultant in accordance with the Construction Oversight Consulting Services Agreement. In addition to the foregoing, any requisition submitted to the Trustee for Project Costs for the 2019 Home Facility shall be accompanied by a notice of title continuation and date down endorsement to the title insurance policy (i) indicating that since the date of the last preceding requisition, there has been no change in the state of title other than Permitted Encumbrances, (ii) updating the date of the mechanic's lien coverage of such title insurance policy to the date of such requisition, and (iii) updating the amount of insurance for mechanic's lien claims in connection with such title insurance policy for the amount of such requisition. Also, any requisition from the Project Fund with respect to Project Costs for the 2019 Home Facility shall also be subject to the terms and provisions of the Building Loan Agreement. The Trustee shall be entitled to rely on the correctness and accuracy of such requisition as well as the propriety of the signatures thereon. Upon disbursements for all Project Costs, and in accordance with subsection (d) below, the Trustee shall without further authorization transfer any remaining funds into the Bond Fund.

(c) The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom. Until the Project Fund has been fully expended, the Trustee shall furnish the Issuer and the Institution with monthly statements showing all receipts and disbursements from the Project Fund since the date of the last statement.

(d) The completion of the acquisition, construction and equipping of the Facility and payment or provision for payment of items included within the Cost of the Facility shall be evidenced by the filing with the Trustee of the certificate required by Section 2.2 of the Loan Agreement. As soon as practicable and in any event not more than sixty (60) days from the date of the certificate referred to in the preceding sentence, (1) any balance remaining in the Project Fund, except for (i) amounts the Institution shall have directed the Trustee to retain for any item included within the Cost of the Facility not then due and payable, and (ii) amounts required to be transferred to the Rebate Fund by the Tax Compliance Agreement and Section 4.09 hereof, shall without further authorization be transferred to the Bond Fund and thereafter be applied to redeem the Bonds in accordance with Section 3.01(b) hereof.

(e) All net income or gain received from investments of amounts held in the Project Fund shall be transferred by the Trustee and deposited in the Earnings Fund.

(f) If an Event of Default hereunder shall have occurred and the Outstanding principal amount of the Bonds shall have been declared due and payable pursuant to Article VIII hereof, the entire balance remaining in the Project Fund after making the transfer to the Rebate

40

Fund required by the Tax Compliance Agreement and Section 4.09 hereof, shall be transferred to the Bond Fund.

Section 4.05. Payments into the Bond Fund. There shall be deposited by the Trustee into the Bond Fund when and as received the following: (i) accrued interest, if any, as provided in Section 4.02 hereof, (ii) any and all payments received by the Trustee under Section 3.2(a) of the Loan Agreement, (iii) the balance in the Project Fund, the Earnings Fund and the Rebate Fund to the extent specified in this Article IV, (iv) the amount of net income or gain received from the investments of moneys in the Bond Fund and (v) all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement or this Indenture which by the terms hereof or the Loan Agreement are required to be or which are accompanied by directions that such moneys are to be paid into the Bond Fund.

Section 4.06. Use of Moneys in the Bond Fund. So long as there remain any Bonds Outstanding, moneys in the Bond Fund shall be used solely for the payment, when due, of Debt Service Payments on the Bonds or for the redemption of the Bonds as herein provided.

Section 4.07. Reserved.

Section 4.08. Payments Into Earnings Fund; Application of Earnings Fund.

(a) All investment income or earnings on amounts held in the Project Fund, the Earnings Fund or any other special fund held with respect to the Bonds under any of the Financing Documents (other than the Rebate Fund or the Bond Fund) shall be deposited upon receipt by the Trustee into the Earnings Fund. The Trustee shall keep separate accounts of all amounts deposited in the Earnings Fund to indicate the fund source of the income or earnings.

(b) Within thirty (30) days after the end of each Bond Year, or such later date that the Trustee receives the written certificate required to be delivered by or on behalf of the Institution pursuant to Section 4.09(c) hereof and the Tax Compliance Agreement, the Trustee shall withdraw from the Earnings Fund an amount equal to the difference, if any, between the Rebate Amount set forth in such certificate and the amount then on deposit in the Rebate Fund. Any amounts remaining in the Earnings Fund following such transfer shall be transferred to the funds, as specifically directed by the Institution, which were the sources of the earnings deposited into the Earnings Fund. If an Event of Default hereunder shall have occurred and the outstanding principal amount of the Bonds shall have been declared due and payable, the entire balance remaining in the Earnings Fund, after making the transfer to the Rebate Fund required in the Tax Compliance Agreement and Section 4.09 hereof, shall be transferred to the Bond Fund and applied in accordance with this Indenture.

Section 4.09. Payments Into Rebate Fund; Application of Rebate Fund.

(a) The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, Lien or charge in favor of the Trustee, the Owner of any Bond or any other Person.

41

Institution or any other person to provide to the Trustee timely written certifications relating to arbitrage restrictions or rebate requirements as required hereunder or under any other document relating to the Bonds, including, without limitation, certifications regarding investments in certificates of deposit or Investment Agreements or certifications regarding rebate payments which may be due and payable to the Internal Revenue Service.

Section 4.10. Reserved.

Section 4.11. Investment of Moneys.

(a) Moneys held in any fund established pursuant to Section 4.01 hereof (other than the Bond Fund) shall be invested and reinvested by the Trustee in Permitted Investments, pursuant to direction by the Authorized Representative of the Institution. Moneys held in the Bond Fund shall be invested and reinvested, pursuant to direction by the Authorized Representative of the Institution, only in Governmental Obligations maturing as needed. The investment direction given by the Authorized Representative of the Institution shall be in writing, and upon which direction the Trustee may rely without further inquiry. Such investments shall mature in such amounts and have maturity dates or be subject to redemption at the option of the Trustee on or prior to the date on which the amounts invested therein will be needed for the purposes of such funds. The Trustee may at any time sell or otherwise reduce to cash a sufficient amount of such investments whenever the cash balance in such funds is insufficient for the purposes thereof. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the fund for which such moneys are invested, and the interest accruing thereon and any profit realized from such investments shall be credited to and held in, and any loss shall be charged, (i) with respect to the Bond Fund or the Rebate Fund, to such fund, and (ii) with respect to the Project Fund, the Earnings Fund and any other special fund held with respect to the Bonds, to the Earnings Fund. All investments hereunder shall be registered in the name of the Trustee, as Trustee under this Indenture.

(b) In the event that the Trustee shall not have duly received a direction for investment for any moneys in any fund under this Indenture by 11:00 a.m. on the Business Day on which such moneys are to be invested or re-invested, the Trustee may invest such moneys as follows: (i) with respect to moneys credited to the Bond Fund in Governmental Obligations, and (ii) with respect to moneys credited to all other funds, money market funds rated "A-1" (or its equivalent) by a Rating Agency; provided, however, that the Trustee shall have no obligation to invest any moneys pursuant to this Section 4.11(b).

(c) Any investment herein authorized is subject to the condition that no use of the proceeds of any Bonds or of any other moneys shall be made which, if such use had been reasonably expected on the date of issue of such Bonds, would cause such Bonds to be "arbitrage bonds" within the meaning of such quoted term in Section 148 of the Code. The Trustee shall not be liable if such use shall cause the Bonds to be "arbitrage bonds", provided only that the Trustee shall have made such investment pursuant to the written direction by an Authorized Representative of the Institution as provided in this Section 4.11.

43

(b) All net income or gain received from investments of moneys held in the Rebate Fund shall be deposited by the Trustee into the Rebate Fund Earnings Account.

(c) The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Institution, in accordance with Section 7.10 of the Tax Compliance Agreement, shall deposit in the Rebate Fund Principal Account within thirty (30) days after the end of each Bond Year, or such later date that the Trustee receives such certification from the Institution, an amount such that the amount held in the Rebate Fund Principal Account after such deposit is equal to the Rebate Amount calculated as of the last day of the prior Bond Year. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Facility pursuant to Section 7.10 of the Tax Compliance Agreement at any time during a Bond Year the Trustee shall deposit in the Rebate Fund Principal Account within thirty (30) days of the Completion Date, or such later date that the Trustee receives such certification from the Institution, an amount such that the amount held in the Rebate Fund Principal Account after such deposit is equal to the Rebate Amount calculated at the Completion Date. The amounts deposited in the Rebate Fund Principal Account pursuant to this subsection (c) shall be withdrawn from the Earnings Fund, to the extent of any moneys therein and then, to the extent of any deficiency, from such fund or funds as are designated by the Institution to the Issuer and the Trustee in writing.

(d) In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund Principal Account exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall withdraw such excess amount and prior to the Completion Date, deposit it in the Project Fund or, after the Completion Date, deposit it in the Bond Fund.

(e) The Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall pay to the United States, out of amounts in the Rebate Fund, (i) not later than thirty (30) days after the last day of the fifth Bond Year and after every fifth Bond Year thereafter, an amount equal to ninety percent (90%) of the balance, if any, in the Rebate Fund Principal Account and the total amount on deposit in the Rebate Fund Earnings Account as of the date of such payment and (ii) notwithstanding the provisions of Section 7.02 hereof, not later than thirty (30) days after the date on which all Bonds have been paid in full, the balance in the Rebate Fund.

(f) Notwithstanding any other provision in this Indenture or any of the other Financing Documents, general or specific, to the contrary, the Trustee shall have no obligations hereunder or thereunder relating to rebate requirements except to comply with specific written instructions received by the Trustee from the Institution with respect to deposits into the Rebate Fund and release of the moneys therefrom. The Trustee shall not have any responsibility hereunder or under any of the Financing Documents to make any calculations relating to arbitrage restrictions or rebate requirements, or the excludability of the interest on the Bonds from gross income for Federal income tax purposes or to verify, confirm or review (and the Trustee shall not verify, confirm or review) any such calculations or requirements, or the excludability of the interest on the Bonds from gross income for Federal income tax purposes or to take any other action with respect thereto hereunder or thereunder. The Trustee shall not have any responsibility to notify the Issuer, the Institution or any other person of any failure by the

42

(d) The Trustee may make any investment permitted by this Section through its own investment department. The Trustee shall not be liable for any depreciation in the value of any investment made pursuant to this Section or for any loss arising from any such investment.

(e) The Trustee shall cooperate with the Issuer and the Institution with respect to filing reports or forms required pursuant to Section 148(f) of the Code, but the Trustee shall not be required to file and shall not be liable for any failure by any person to file any reports or forms required pursuant to Section 148(f) of the Code.

(f) The Trustee shall not be required to obtain and shall not be liable for any failure to obtain any certificate or documentation for the purpose of determining whether a "prohibited payment" has been made under Section 148(f) of the Code.

Section 4.12. Payment to Institution Upon Payment of Bonds. Except as otherwise specifically provided herein, after payment in full of (1) the principal of, premium, if any, and interest on all the Bonds (or after provision for the payment thereof has been made in accordance with Article VII of this Indenture), (2) the fees, charges and expenses of the Trustee and Paying Agent, and (3) all other amounts required to be paid under this Indenture and the Loan Agreement, and provided that all moneys required to be paid into the Rebate Fund have been paid or adequately provided for, all amounts remaining in any fund established pursuant to Section 4.01 hereof (except the Rebate Fund) or otherwise held by the Trustee and by any additional Paying Agent for the account of the Issuer or the Institution hereunder and under the Loan Agreement shall be paid to the Institution.

Section 4.13. Reports and Information Regarding Funds. The Trustee shall throughout the Contract Term furnish the Institution as soon as practicable after the first day of each month with a statement showing receipts and disbursements (including all transactions involving cash or Permitted Investments) with respect to any trust fund of the Issuer provided for in this Indenture. In addition, the Trustee agrees to cooperate, in providing such information as may be required by the Issuer to assist it in preparing and furnishing such reports or other accounting statements as may be required by any governmental law or regulation with respect to any of the Issuer's funds held by the Trustee.

44

## ARTICLE V

### GENERAL COVENANTS AND PROVISIONS

Section 5.01. Authority of Issuer; Validity of Indenture and Bonds. The Issuer hereby covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act and the County Resolution, to issue the Bonds authorized hereby, to execute this Indenture and to pledge the Trust Estate in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture and the Loan Agreement has been duly and effectively taken; and that such Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Issuer according to the import thereof.

Section 5.02. Performance of Covenants. The Issuer hereby covenants that it will faithfully observe and perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be observed or performed contained (i) in this Indenture, (ii) in any Bond executed, authenticated and delivered hereunder, (iii) in the Loan Agreement and (iv) in the Issuer Documents.

Section 5.03. Payment of Principal, Premium, if any, and Interest. Subject to the limitation contained in Section 2.04(b) hereof, the Issuer hereby covenants that it will promptly pay or cause to be paid the Debt Service Payments on the Bonds at the place, on the dates and in the manner provided herein. All Debt Service Payments on the Bonds shall be a special obligation of the Issuer and payable solely from payments and receipts received pursuant to the Loan Agreement. Nothing in the Bonds or in this Indenture shall be construed as creating a general obligation of the Issuer or pledging any funds or assets of the Issuer other than those pledged hereby. Neither the State, Monroe County, New York, nor any political subdivision thereof (other than the Issuer) shall in any event be liable for the payment of any Debt Service Payment on the Bonds or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Issuer.

Section 5.04. Deposit of Revenues. The Issuer hereby covenants that it will deposit, or cause to be deposited, with the Trustee for its account so much of the payments and receipts derived by the Issuer pursuant to the Loan Agreement (except payments and receipts derived pursuant to the Unassigned Rights), this Indenture or otherwise as may be required to pay the Debt Service Payments on the Bonds as the same become due and payable.

Section 5.05. Priority of Security Interest. The Issuer hereby covenants that the Indenture is a first Lien upon the Trust Estate and the Issuer agrees not to create or suffer to be created any Lien, having priority or preference over this Indenture upon the Trust Estate or any part thereof.

Section 5.06. Enforcement of Duties and Obligations of the Institution. Subject to the provisions of Section 5.17 hereof, the Issuer hereby covenants, at the request of the Trustee, that it shall take all legally available action to cause the Institution to fully perform all duties and acts

45

applicable law, if any Bond shall not be presented for payment within the period of three (3) years following the date when such Bond becomes due, whether by maturity or call for redemption or otherwise, the Trustee shall pay to the Institution the funds theretofore held by it for payment of such Bond, and the Owner of such Bond shall thereafter look only to the Institution for payment thereof, and such Bond shall, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Institution. Except as may otherwise be required by applicable law, the Trustee shall, at least sixty (60) days prior to the expiration of such three (3) year period, give written notice to any Bondholder who has not presented any Bond for payment at such Bondholder's address on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar, that any moneys held for the payment of any such Bond will be returned as provided in this Section 5.12 at the expiration of such three (3) year period. The failure of the Trustee to give any such notice shall not affect the validity of any return of funds pursuant to this Section 5.12.

Section 5.13. Cancellation. All Bonds which have been paid, redeemed, purchased or surrendered shall be canceled and, subject to the record retention requirements of the Securities Exchange Act of 1934, as amended, or other applicable law, cremated or otherwise destroyed by the Trustee. The Trustee shall deliver to the Issuer and the Institution a certificate evidencing such cremation or other destruction.

Section 5.14. Payments Due on Other Than Business Days. In any case where a Bond Payment Date shall not be a Business Day, then payment of the principal of, premium, if any, and interest on the Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date due and no interest shall accrue for the period after such date.

Section 5.15. Covenant Against Arbitrage Bonds. Notwithstanding any other provision of this Indenture, so long as the Bonds shall be Outstanding, the Issuer shall not use, or direct or permit the use of, the proceeds of the Bonds or any other moneys within its control (including without limitation any moneys in the Bond Fund and the proceeds of any insurance award with respect to the Facility) in such a manner as would cause the Bonds to be "arbitrage bonds" within the meaning of such quoted term in Section 148 of the Code and the Issuer further covenants that it will comply with the requirement of such section and all regulations thereunder.

Section 5.16. Covenant Regarding Adjustment of Debts. In any case under Chapter 9 of Title 11 of the United States Code involving the Issuer as debtor, the Issuer, unless compelled by a court of competent jurisdiction, shall neither list the Trust Estate or any part thereof as an asset or property of the Issuer nor list any amounts owed upon the Bonds Outstanding as a debt of or claim against the Issuer.

Section 5.17. Limitation on Obligations of the Issuer. Notwithstanding any provision of this Indenture to the contrary, the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof (other than pursuant to Section 5.03 hereof, and then only to the extent set forth therein), unless (i) it shall have been requested to do so in writing by the Trustee or the Holders of not less than fifty-one percent (51%) of the Bonds then Outstanding or the Institution and (ii) if compliance with such request is reasonably expected to result in the

47

and to fully comply with the covenants of the Institution contained in the Loan Agreement in the manner and at the times provided in the Loan Agreement.

Section 5.07. Reserved.

Section 5.08. Maintenance and Modification of the Facility. Subject to Section 5.17 hereof, the Issuer hereby covenants that it shall take all legally available action to cause the Institution to maintain, preserve and keep the Facility in good condition, repair and working order.

Section 5.09. Insurance. Subject to Section 5.17 hereof, the Issuer hereby covenants that it shall take all legally available action to cause the Institution to procure and maintain insurance on the Facility as provided in Section 4.4 of the Loan Agreement.

Section 5.10. Filing of Documents and Security Instruments.

(a) The Issuer hereby covenants that it will cause to be filed all documents, including without limitation initial financing statements under the Uniform Commercial Code of the State, in such manner and in such places as may be required by law in order to create, protect and maintain in force the Lien of, and the security interests created by, this Indenture.

(b) Pursuant to the Uniform Commercial Code of the State, the Issuer hereby appoints and authorizes the Trustee, as its lawful agent and attorney, without the signature of the Issuer, to file any continuation statements or UCC-3 financing statements as directed by counsel to the Trustee, Bond Counsel or the Issuer as are necessary or advisable in order to perfect the Trustee's security interest in the Trust Estate and shall pay to the Trustee, on demand, any expenses incurred by the Trustee in connection with the preparation and filing of such statements.

Section 5.11. Rights Under Financing Documents. The Financing Documents, duly executed counterparts of which have been filed with the Trustee, set forth certain covenants and obligations of the parties thereto. Reference is hereby made thereto for a detailed statement of the covenants, obligations and rights of the parties thereto. The Issuer agrees that the Trustee, in its name or in the name of the Issuer, may enforce all rights of the Issuer (except for certain of the Unassigned Rights) and all obligations of the Institution under the Loan Agreement for and on behalf of the Bondholders, whether or not any Event of Default exists hereunder.

Section 5.12. Failure to Present Bonds. Subject to the provisions of Section 2.08 hereof, in the event any Bond shall not be presented for payment when the principal or premium thereon, if any, becomes due, either at maturity or at the date fixed for prior redemption thereof or otherwise, if moneys sufficient to pay such Bond shall be held by the Trustee for the benefit of the Holder thereof, all liability of the Issuer to the Trustee thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged. Thereupon, the Trustee shall hold such moneys without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such moneys for any claim under this Indenture or on, or with respect to, said Bond. Except as may otherwise be required by

46

incurrence by the Issuer or any member, employee, agent or servant of the Issuer of any liability, fees, expenses or other costs it shall have received from the Trustee, such Holders or the Institution, as the case may be, security or indemnity reasonably satisfactory to the Issuer for protection against all such liability, however remote, and for the reimbursement of all such fees, expenses and other costs; provided, however, that no limitation on the obligations of the Issuer contained in this Section 5.17 by virtue of any lack of assurance provided in (ii) hereof shall be deemed to prevent the occurrence and full force and effect of an Event of Default pursuant to Section 8.01 hereof.

Section 5.18. Inspection of Books. All books and records, if any, in the Issuer's possession relating to the Facility and the amounts derived from the Facility shall at all reasonable times be open to inspection by such Accountants or other agents as the Trustee may from time to time designate.

Section 5.19. List of Owners. The Trustee, as Bond Registrar, will keep on file a list of names and addresses of the Owners of all Bonds as from time to time registered on the registration books maintained by the Trustee as Bond Registrar, together with the principal amount and numbers of such Bonds. The Issuer shall have no responsibility with regard to the accuracy of such list. At reasonable times and under reasonable regulations, established by the Trustee, said list may be inspected and copied for any purpose by the Institution or by the Owners (or designated representative thereof) of fifty-one percent (51%) or more in aggregate principal amount of Outstanding Bonds, such possession or ownership and the authority of such designated representative to be evidenced to the satisfaction of the Trustee. Each Owner, by the purchase and acceptance of a Bond, shall be deemed to consent to the disclosure of his or her name, address, and the principal amount of the Bond held by him or her and to agree that the Trustee shall not be held accountable for the disclosure of such information. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, THE TRUSTEE SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES HEREUNDER, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS HEREUNDER.

Section 5.20. Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular its interest in all Property purported to be made subject to the Lien hereof by the granting clauses hereof, and in the Trust Estate herein described and pledged hereby to the payment of the principal of, premium, if any, on and interest on the Bonds. Any and all interest in the Trust Estate or any other property hereafter acquired which is of any kind or nature herein provided to be and become subject to the Lien hereof shall, without any further conveyance, assignment or act on the part of the Issuer or the Trustee, become and be subject to the Lien of this Indenture as fully and completely as though specifically described herein, but nothing contained in this sentence shall be deemed to modify or change the obligations of the Issuer under this Section 5.20. The Issuer covenants and agrees that, except as

48

herein otherwise provided, it has not and will not sell, convey, mortgage, encumber or otherwise dispose of all or any part of its interest in the Trust Estate.

#### **ARTICLE VI**

##### **PRIORITY RIGHTS OF TRUSTEE**

Section 6.01. Priority Rights of Trustee. The rights and privileges of the Institution set forth in the Loan Agreement are specifically made subject and subordinate to the rights and privileges under the Financing Documents of the Trustee and the Holders of the Bonds.

#### **ARTICLE VII**

##### **DISCHARGE OF LIEN; DEFEASANCE OF BONDS**

###### Section 7.01. Discharge of Lien.

(a) If the Issuer shall pay or cause to be paid to the Holders of all the Outstanding Bonds the principal thereof, premium, if any, and interest thereon, at the times and in the manner stipulated therein and in this Indenture and if there shall have been paid all fees, charges and expenses (including counsel fees) of the Trustee or any additional Paying Agent required to be paid under Section 9.02 hereof, then the Lien on the Trust Estate hereby created for the benefit of the Bondholders so paid and the Trustee's right, title and interest in and to the Loan Agreement shall be released, discharged and satisfied. In such event, except as otherwise specifically provided herein, the Trustee and any additional Paying Agent shall pay or deliver all moneys or securities held by either of them pursuant to this Indenture which are not required for the payment of such Bonds (except for moneys and securities held with respect to the Unassigned Rights, which shall be paid or delivered to the Issuer and except for moneys in the Rebate Fund which shall be applied only as provided in Section 4.09 hereof) to the Institution. If the Issuer does not pay or cause to be paid, at the same time, all Outstanding Bonds, then the Trustee and any additional Paying Agent shall not return those moneys and securities held under this Indenture as security for the benefit of the Bondholders not so paid or not caused to be so paid.

(b) When all of the Outstanding Bonds shall have been paid in full or provision for such full payment of all Outstanding Bonds shall have been made in accordance with this Section 7.01, the Trustee and the Issuer shall take all appropriate action to cause the Lien of this Indenture upon the Trust Estate, and the Trustee's right, title and interest in and to the Loan Agreement, to be released, discharged, satisfied and canceled of record.

(c) Notwithstanding the fact that the Lien of this Indenture upon the Trust Estate may have been discharged and canceled in accordance with this Section 7.01, this Indenture and the rights granted and duties imposed hereby, shall nevertheless continue and subsist until the principal, premium, if any, and interest on all of the Bonds shall have been fully paid or the Trustee shall have returned to the Institution pursuant to Section 5.12 hereof all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment.

49

#### **ARTICLE VIII**

##### **DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS**

Section 8.01. Events of Default. The following shall be "Events of Default" under this Indenture, and the terms "Event of Default" or "Default" shall mean, when they are used in this Indenture, any one or more of the following events:

(a) A default in the due and punctual payment of the interest on any Bond, irrespective of notice; or

(b) A default in the due and punctual payment of the principal or Redemption Price of any Bond whether at the stated maturity thereof, upon proceedings for redemption thereof (except with respect to a proposed redemption under Section 3.01(e) hereof for which the notice of redemption shall no longer be of force or effect in accordance with Section 3.02(a) hereof), or upon the maturity thereof by declaration or otherwise; or

(c) (i) Subject to clause (ii) below, the failure by the Issuer to observe and perform any covenant, condition or agreement hereunder on its part to be observed or performed (except obligations referred to in Section 8.01(a) and (b) hereof) for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer and the Institution by the Trustee or by the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of Outstanding Bonds;

(ii) If the covenant, condition, or agreement which the Issuer has failed to observe or perform is of such a nature that it cannot reasonably be fully cured within such thirty (30) days, the Issuer shall not be in default if the Issuer commences a cure within such thirty (30) days and thereafter diligently proceeds with all action required to complete the cure, and, in any event, completes such cure within sixty (60) days of such written notice from the Trustee or the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Bonds Outstanding, unless the Trustee or the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Outstanding Bonds shall give their written consent to a longer period; or

(d) The occurrence and continuance of an "Event of Default" under the Loan Agreement; or

(e) The occurrence and continuance of an "Event of Default" under the Master Trust Indenture.

###### Section 8.02. Acceleration.

(a) Upon the occurrence and continuance of an Event of Default under Section 8.01 hereof, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Outstanding Bonds shall, by written notice delivered to the Issuer and the Institution declare all Bonds Outstanding immediately due

51

###### Section 7.02. Defeasance of Bonds.

(a) Any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of, and with the effect expressed in, subsection (a) of Section 7.01 if (i) there shall have been irrevocably deposited with the Trustee sufficient Defeasance Obligations, in accordance with subsection (b) of this Section 7.02 which will, without further investment, be sufficient, together with other amounts held for such payment, to pay the principal of the Bonds when due or to redeem the Bonds at the Redemption Price, if any, specified in Section 3.01 hereof, (ii) in the event such Bonds are to be redeemed prior to maturity in accordance with Section 3.01 hereof, all action required by the provisions of this Indenture to redeem the Bonds shall have been taken or provided for to the satisfaction of the Trustee, and notice thereof in accordance with Section 3.02 hereof shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice, (iii) provision shall have been made for the payment of all fees and expenses of the Trustee and of any additional Paying Agents with respect to the Bonds, (iv) the Issuer shall have been reimbursed for all of its expenses under the Financing Documents and (v) all other payments required to be made under the Loan Agreement and this Indenture with respect to the Bonds shall have been made or provided for. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefit of this Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

(b) For the purposes of subsection (a)(i) of this Section 7.02 the Trustee shall be deemed to hold sufficient moneys to pay the principal of an Outstanding Bond not then due or to redeem Outstanding Bonds prior to the maturity thereof only if there shall be on deposit with the Trustee for such purpose Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than (i) the maturity date of such Bonds, or (ii) the first date following the date on which such Bonds are to be redeemed pursuant to Article III hereof (whichever may first occur), or both cash and such Defeasance Obligations, in an amount which, together with income to be earned on such Defeasance Obligations (without reinvestment) prior to such maturity date or Redemption Date, equals the principal due on such Bond, together with the premium, if any, due thereon and all interest thereon which has accrued and which will accrue to such maturity date or Redemption Date. The Trustee may, at the expense of the Institution, obtain a certificate from an Accountant as to whether the cash or Defeasance Obligations held by the Trustee meet the requirements of this subsection (b).

(c) Upon the defeasance of all Outstanding Bonds in accordance with this Section 7.02, the Trustee shall hold in trust, for the benefit of the Holders of such Bonds, all such moneys and/or Defeasance Obligations and shall make no other or different investment of such moneys and/or Defeasance Obligations and shall apply the proceeds thereof and the income therefrom only to the payment of such Bonds.

50

and payable, and such Bonds shall become immediately due and payable, anything in the Bonds or in this Indenture to the contrary notwithstanding.

(b) If there shall occur an Event of Default under Section 7.1(d) or (e) of the Loan Agreement, the aggregate unpaid principal amount of the Outstanding Bonds (and all principal installments of Debt Service Payments under the Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

(c) Upon the acceleration, by declaration or otherwise, of the Bonds, the Trustee shall exercise its option under Section 7.2(a) of the Loan Agreement to declare all unpaid installments of Debt Service Payments payable by the Institution under Section 3.2(a) of the Loan Agreement to be immediately due and payable.

###### Section 8.03. Enforcement of Remedies.

(a) In the event the Bonds are declared immediately due and payable, the Trustee may, and upon the written request of the Holders as set forth in subsection (d) of this Section shall, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Act, the Bonds, the Loan Agreement, the Master Note No. 1, the Master Trust Indenture and this Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem necessary or expedient. Upon the occurrence and continuance of any Event of Default, and upon being provided with the security and indemnity if so required pursuant to Section 9.01(b)(xiv) hereof, the Trustee shall exercise such of the rights and powers vested in the Trustee by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

(b) The Trustee may sue for, enforce payment of and receive any amounts due or becoming due from the Issuer or the Institution for the payment of the principal, premium, if any, and interest on the Outstanding Bonds under any of the provisions of this Indenture, the Bonds, the Master Note No. 1, the Master Trust Indenture or the Loan Agreement without prejudice to any other right or remedy of the Trustee or of the Holders.

(c) Notwithstanding anything to the contrary contained in the foregoing paragraph (a), upon the occurrence and continuance of any Event of Default the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, on and interest on the Bonds then Outstanding and to enforce and compel the performance of the duties and obligations of the Issuer and the Institution under the Financing Documents. In addition, the Trustee may, without notice to the Issuer or the Institution, exercise any and all remedies afforded the Issuer under Article VII of the Loan Agreement in its name or the name of the Issuer without the necessity of joining the Issuer.

(d) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than fifty-one percent (51%) in the aggregate principal amount of the Outstanding Bonds may, and if provided with the security and indemnity required by

52

Section 9.01(b)(xiv) hereof shall, institute and maintain such suits and proceedings as advised by such Holders shall be necessary or expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture or of any resolution authorizing the Bonds, or to preserve or protect the interests of the Holders; provided that such request is in accordance with law and the provisions of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders not making such request.

Section 8.04. Reserved.

Section 8.05. Application of Moneys.

(a) The Net Proceeds received by the Trustee pursuant to any right given or action taken under the provisions of this Article VIII shall be deposited in the Bond Fund.

(b) All moneys in the Bond Fund following the occurrence of an Event of Default shall be applied to the payment of the reasonable fees and expenses of the Issuer and the Trustee and then:

(i) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable,

FIRST - To the payment of all installments of the interest then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment of interest, to the Persons entitled thereto without any discrimination or preference.

SECOND - To the payment of the unpaid principal or Redemption Price of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which such Bonds became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or preference.

THIRD - To the payment of the principal or Redemption Price of and interest on the Bonds as the same become due and payable.

(ii) If the principal of all the Bonds shall have become due by declaration or otherwise, to the payment of the principal and interest (at the rate or rates expressed thereon) then due and unpaid upon all of the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according

53

Section 8.09. Individual Holder Action Restricted.

(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereunder or for any remedy under the Indenture unless:

(i) an Event of Default has occurred of which the Trustee has been notified as provided in Section 9.01(b)(ix) hereof or of which by said Section the Trustee is deemed to have notice, and

(ii) the Holders of at least fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Indenture or to institute such action, suit or proceeding in its own name, and

(iii) such Holders shall have offered the Trustee indemnity as provided in Section 9.01(b)(xiv) hereof, and

(iv) the Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained in this Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal or premium, if any, or interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of this Indenture on the Trust Estate for the equal and ratable benefit of all Holders of Bonds.

Section 8.10. Termination of Proceedings. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then the Issuer, the Institution, the Trustee, and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

55

to the amounts due respectively for principal and interest, to the Persons entitled thereto without discrimination or preference.

(iii) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article VIII then, subject to the provisions of paragraph (b)(ii) of this Section 8.05 in the event that the principal of all the Bonds shall later become due by declaration or otherwise, the moneys shall be applied in accordance with the provisions of paragraph (b)(i) of this Section 8.05.

(c) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section 8.05, such moneys shall be applied within five (5) Business Days of the Trustee's receipt of such moneys. On the date of a declaration of an acceleration of the Bonds, pursuant to Section 8.02 hereof, interest on the amount of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the application of any such moneys and of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 8.06. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture, the Master Note No. 1, the Master Trust Indenture or the Loan Agreement or under the Bonds may be enforced by the Trustee without the possession of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiff or defendant the Holders. Subject to the provisions of Section 8.05 hereof, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 8.07. Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Holders by this Indenture is intended to be exclusive of any other remedy. Each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Holders now or hereafter existing at law or in equity or by statute.

Section 8.08. Majority Bondholders Control Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Indenture to the contrary, the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the appointment of a receiver or any other proceedings hereunder, provided that the Trustee is provided with the security and indemnity set forth in Section 9.01(b)(xiv) hereof and that such direction is in accordance with law and the provisions of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction, and provided further, that nothing in this Section 8.08 shall impair the right of the Trustee in its discretion to take any other action under this Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders.

54

Section 8.11. Waiver and Non-Waiver of Event of Default.

(a) Subject to the provisions of Section 8.08 hereof, the Trustee may at its discretion waive any Event of Default hereunder and its consequences and annul any acceleration in accordance with Section 8.02 hereof, and shall do so upon the written request of the Holders of at least fifty-one percent (51%) in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived (A) any Event of Default in the payment of the principal of, or premium, if any, on any Outstanding Bonds when due (whether at maturity or mandatory or optional redemption), or (B) any default in the payment when due of the interest on any such Bonds, or (C) any default upon which prior action has been taken by the Holders of a majority in the aggregate principal amount of the Bonds then Outstanding, unless prior to such waiver or rescission all arrears of interest, with interest, to the extent permitted by law, on all arrears of payments of principal when due, and all expenses of the Trustee in connection with such default shall have been paid or provided for. No such waiver shall extend to or affect any other existing or any subsequent Event of Default.

(b) No delay or omission of the Trustee to exercise any right or power accruing upon any Event of Default shall impair any such right or power nor shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article VIII to the Trustee and the Holders may be exercised from time to time and as often as may be deemed necessary or expedient.

Section 8.12. Notice of Defaults.

(a) Promptly after (i) the receipt of notice of an Event of Default as provided in Section 9.01(b)(ix) hereof, or (ii) the occurrence of an Event of Default of which the Trustee is deemed to have notice by such Section, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder; provided that, except in the case of a default in the payment of the principal or premium, if any, or interest on the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interest of the Holders.

(b) The Trustee shall promptly notify the Issuer and the Institution of any Event of Default known to the Trustee.

**ARTICLE IX**

**THE TRUSTEE AND PAYING AGENT**

Section 9.01. Appointment of Trustee and Acceptance of Duties.

(a) Wilmington Trust, National Association is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations of the Trustee, subject to the terms and conditions set forth in subsection (b) of this Section 9.01, by executing this Indenture.

56

(b) The acceptance by the Trustee of the trusts imposed upon it by this Indenture and its agreement to perform said trusts is subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(i) Prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred and has not been cured, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable and prudent man would use, under the circumstances, in the conduct of his own affairs.

(ii) The Trustee may execute any of the trusts or powers conferred upon it in this Indenture and perform any of its duties hereunder by or through attorneys, agents or employees, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters with respect to the trust and its duties hereunder and may in all cases pay such reasonable compensation to all such attorneys and agents as may reasonably be employed in connection with the trust hereunder. The Trustee may act upon an opinion of Independent Counsel selected with reasonable care and shall not be responsible for any loss or damages resulting from any action taken or omitted to be taken in good faith in reliance upon such opinion of Independent Counsel.

(iii) Except as expressly provided herein, the Trustee shall not be responsible for any recital herein or in the Bonds (except in respect of the Certificate of Authentication of the Trustee endorsed on the Bonds) or for the validity of the execution by the Issuer of the Indenture or for the sufficiency of security for the Bonds or for the recording or re-recording or the filing or refiling of any of the Financing Documents or for insuring any Property securing the Bonds, or for collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplement hereto or any instrument of further assurance, or for the sufficiency or validity of the security for the Bonds, or for any value of or title to any Property securing the Bonds, or for the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Institution under any of the Financing Documents.

(iv) The Trustee may become a Holder of the Bonds with the same rights which it would have if it were not Trustee.

(v) The Trustee may deal with any Person with the same rights which it would have and in the same manner as if it were not Trustee.

(vi) The Trustee shall be protected in acting in good faith upon any notice, request, requisition, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Holder of any Bond shall be conclusive

57

for the Bonds and any books, papers and records of the Issuer or the Institution pertaining to the Facility and the Bonds.

(xii) The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers intended to be conferred upon it in this Indenture or otherwise in respect of the premises.

(xiii) The Trustee may (but shall not be obligated to) demand, as a condition of the withdrawal of any moneys or the taking of any other action contemplated by this Indenture, any certificates, opinions, appraisals, or other information, or corporate action or evidence thereof (in addition to any other prerequisites required in any other Section of this Indenture) which the Trustee may reasonably deem desirable for the purpose of establishing the right of the Issuer to the withdrawal of the moneys or the taking of the other action.

(xiv) Before taking any action under this Indenture or the other Financing Documents, the Trustee may require that satisfactory security or indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which may be adjudicated to have resulted from its own willful misconduct or gross negligence by reason of any action so taken; provided, however, that the failure to provide the Trustee with the security and indemnity referred to in this paragraph (xiv) shall not nullify or otherwise affect the occurrence of an Event of Default hereunder.

(xv) [Reserved].

(xvi) The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Indenture upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared or furnished pursuant to any of the provisions of this Indenture or, at the sole cost or expense of the Institution, and when determined necessary in the reasonable discretion of the Trustee upon the written opinion of any attorney (who may be an attorney for the Issuer), engineer, appraiser, or accountant believed by the Trustee to be qualified in relation to the subject matter and the Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon such opinion.

(xvii) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, debenture or other paper or documents, but the Trustee, in its discretion, may make such further inquiry or investigation, and it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney.

59

and binding upon all future Owners of the same Bond and of any Bond or Bonds issued in exchange therefor or in place thereof.

(vii) The Trustee may rely upon:

(1) a certificate, signed by an Authorized Representative of the Issuer,

(A) as to the existence or non-existence of any fact or facts stated therein,

(B) as to the sufficiency or validity of any instrument, paper or proceeding, other than a resolution of the Issuer, or

(C) prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in Section 9.01(b)(ix) hereof or of which by said Section the Trustee is deemed to have notice, as to the necessity or appropriateness of any particular dealing, transaction, or action; and

(2) a certificate, signed by the Secretary, Assistant Secretary or other authorized designee of the Issuer, as to the due adoption and validity of a resolution of the Issuer.

(viii) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its willful misconduct or gross negligence.

(ix) The Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except for a default in payment of principal, Redemption Price or interest on any of the Bonds, unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer, the Institution or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default, except as aforesaid.

(x) All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust in the manner and for the purpose for which they were received but need not be segregated from other moneys held by the Trustee except to the extent required by this Indenture or by law. The Trustee shall not be liable for any interest on any moneys received hereunder.

(xi) At any reasonable time, the Trustee and its duly authorized agents, experts, and representatives may (but shall not be obligated to) inspect any of the security

58

**Section 9.02. Fees, Charges and Expenses of the Trustee, Bond Registrar and Paying Agents.** The Issuer shall pay or reimburse or cause the Institution to pay or reimburse the Trustee, the Bond Registrar, or any Paying Agent or cause the Trustee, the Bond Registrar and any Paying Agent to be paid or reimbursed, for reasonable fees for their Ordinary Services rendered hereunder and all Ordinary Expenses reasonably and necessarily paid or incurred in connection with such Ordinary Services and, in the event that it should become necessary that the Trustee, the Bond Registrar or any Paying Agent perform Extraordinary Services, reasonable extra compensation therefor, and for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the gross negligence or willful misconduct of the Trustee, the Bond Registrar or any Paying Agent, as the case may be, it shall not be entitled to compensation or reimbursement therefor. The Issuer shall pay or reimburse or cause the Institution to pay or reimburse the Trustee, or cause the Trustee to be paid or reimbursed, for the reasonable fees and expenses of the Trustee as Paying Agent and Bond Registrar as hereinabove provided. The obligation of the Issuer under this Section 9.02 to pay and reimburse the Trustee, the Bond Registrar and any Paying Agent for such fees and expenses shall constitute additional indebtedness secured hereunder and the Trustee, the Bond Registrar and any Paying Agent shall have a first lien, with right of payment prior to payment on account of interest on, or principal of, any Bond, upon the Trust Estate for the foregoing fees and expenses.

**Section 9.03. Intervention by Trustee.** In any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee, has a substantial bearing on the interests of the Holders, the Trustee may, and if so requested in writing by the Holders of fifty-one percent (51%) of the aggregate principal amount of the Bonds then Outstanding shall, intervene on behalf of the Holders.

**Section 9.04. Right of Trustee to Pay Taxes, Insurance Premiums and Other Charges.**

(a) If any tax, assessment or governmental or other charge upon any part of the Trust Estate is not paid or any insurance is not maintained as required herein, or if an Event of Default occurs and the Trustee incurs costs and expenses in accordance with Section 7.7 of the Loan Agreement, the Trustee may pay such tax, assessment, governmental or other charge or insurance premium, without prejudice, however, to any rights of the Trustee or the Holders hereunder arising in consequence of such failure. Any such amount paid under this Section 9.04 shall become additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over the Bonds and interest thereon and shall be paid out of the proceeds of revenues collected from the Trust Estate, if not otherwise caused to be paid.

(b) The Trustee shall be under no obligation to make any payment described in subsection (a) of this Section 9.04 unless it shall have been requested in writing to do so by the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds and shall have been provided with adequate funds to make such payment.

**Section 9.05. Merger or Consolidation of Trustee.** Any corporation or state or national banking association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole, or any

60

corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto.

Section 9.06. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created and be discharged of its duties and obligations under this Indenture by giving not less than sixty (60) days written notice to the Issuer and the Institution, and by first class mail, to each Holder of an Outstanding Bond or Bonds. Such resignation shall take effect upon the date specified in such notice; provided, however, that in no event shall such a resignation take effect until a successor Trustee has been appointed pursuant to Section 9.08 of this Indenture; provided, further, however, that if a successor Trustee is not appointed within such sixty (60) day period, the Trustee may petition any court of competent jurisdiction to have a successor Trustee appointed.

Section 9.07. Removal of the Trustee. The Trustee may be removed at any time without cause by an instrument which (i) is signed by the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds, (ii) specifies the date on which such removal shall take effect and the name and address of the successor Trustee, and (iii) is delivered to the Trustee, the Issuer, and the Institution. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Indenture or the Loan Agreement, by any court of competent jurisdiction upon the application by the Issuer, the Institution or the Holders of at least twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds. Notwithstanding anything herein to the contrary, no removal shall be effective unless and until a successor Trustee is appointed as provided in Section 9.08 hereof and such removal shall not affect any past due and owing fees pursuant to Section 9.02 hereof.

Section 9.08. Appointment of Successor Trustee by the Holders; Temporary Trustee.

(a) In case the Trustee hereunder shall resign, or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Holders of at least fifty-one percent (51%) in aggregate amount of the Outstanding Bonds by an instrument signed by such Holders and delivered to such successor Trustee, the predecessor Trustee, the Issuer and the Institution. Notice of such appointment shall be given by first class mail to each Owner of Bonds then Outstanding within thirty (30) days after delivery to the Issuer of the instruments appointing such successor Trustee.

(b) In case of the occurrence of any event affecting the Trustee hereunder described in subsection (a) of this Section 9.08, the Issuer, by an instrument signed by the President, Vice President or Executive Director, shall appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Holders in the manner provided in subsection (a) of this Section 9.08. Such instrument appointing such temporary Trustee by the Issuer shall be delivered to the temporary Trustee so appointed, to the predecessor Trustee and to the Institution.

61

Section 9.11. Appointment, Resignation or Removal of Paying Agent and Bond Registrar; Successors.

(a) The Trustee is hereby designated and, by executing this Indenture, agrees to act as Paying Agent and Bond Registrar for and in respect to the Bonds.

(b) The Issuer from time to time may appoint one or more additional Paying Agents or Bond Registrar, upon the prior written consent of the Institution, and, in the event of the resignation or removal of any Paying Agent or Bond Registrar, the Issuer may appoint successor Paying Agents or Bond Registrar by an instrument signed by an Authorized Representative of the Issuer and delivered to such Paying Agent or Bond Registrar and the Trustee. Any such additional Paying Agent or successor Paying Agent or successor Bond Registrar shall be a national banking association, trust company or bank which is authorized by law to perform all the duties imposed upon a Paying Agent by this Indenture and which has a combined capital and surplus of at least \$25,000,000. Any such additional Paying Agent or successor Paying Agent or successor Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Issuer and the Trustee a written acceptance thereof.

(c) The principal office of each Paying Agent is hereby designated as the respective office or agency of the Issuer for the payment of the principal or Redemption Price of and the interest on the Bonds. Any additional Paying Agent shall hold all moneys received by it for the payment of principal or Redemption Price of and interest on the Bonds in trust for the benefit of the Holders. Any additional Paying Agent, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds or coupons, and may join in any action which the Holders may be entitled to take with like effect as if such association, bank or trust company were not such Paying Agent.

(d) A Paying Agent or Bond Registrar (other than the Trustee) may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days written notice to the Issuer, the Institution and the Trustee. A Paying Agent or Bond Registrar (other than the Trustee) may be removed at any time by an instrument signed by the President, Vice President or Executive Director of the Issuer and delivered to such Paying Agent or Bond Registrar and the Trustee.

(e) In the event of the resignation or removal of a Paying Agent (other than the Trustee), such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee.

(f) In the event of the resignation or removal of a Bond Registrar (other than the Trustee), such Bond Registrar shall turn over all books and records in its possession pertaining to the Bonds to its successor, or if there be no successor, to the Trustee.

Section 9.12. Reserved

Section 9.13. New York Real Property Law. To the extent, if any, that Article 4-A of the New York Real Property Law, as amended from time to time, may apply to this Indenture or the

63

Any such temporary Trustee appointed by the Issuer shall immediately and without further act be superseded by any successor Trustee appointed by the Holders. Notice of any such appointment shall be given by first class mail to each Owner of Bonds within thirty (30) days after delivery to the temporary successor Trustee of the instrument appointing such successor Trustee.

(c) Any Trustee appointed pursuant to the provisions of this Section 9.08 shall be a state or national banking association, trust company or bank which is authorized to exercise the corporate trust powers intended to be conferred upon it by this Indenture, having combined capital and surplus of at least \$25,000,000 or any other corporate or individual trustee duly authorized and empowered to act as Trustee hereunder and reasonably acceptable to the Issuer and approved by the Owners of not less than fifty-one percent (51%) of the aggregate principal amount of the Bonds then Outstanding.

(d) In case of the occurrence of an event affecting the Trustee hereunder described in subsection (a) of this Section 9.08, and neither a successor Trustee has been appointed by the Holders pursuant to such subsection (a), nor a temporary Trustee has been appointed by the Issuer pursuant to subsection (b) of this Section 9.08 within sixty (60) days thereafter, the Trustee shall have the right to petition a court of competent jurisdiction for the appointment of a successor Trustee.

Section 9.09. Concerning Successor Trustees.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor Trustee and the Issuer an instrument accepting such appointment hereunder. Thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all the properties, rights, powers, trusts, duties and obligations of its predecessor Trustee.

(b) Upon payment of all fees and expenses, every predecessor Trustee shall, on the written request of the Issuer or the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the Properties, rights, powers and trusts of such predecessor hereunder. Every predecessor Trustee shall deliver to its successor Trustee all securities and moneys held by it as Trustee hereunder. If any instrument from the Issuer shall be requested by any successor Trustee, to more fully and certainly vest in such successor Trustee the Properties, rights, powers and duties hereby vested or intended to be vested hereunder, any and all such instruments shall be executed, acknowledged and delivered by the Issuer.

Section 9.10. Successor Trustee as Custodian of Funds, Paying Agent and Bond Registrar. In the event of a change of Trustees, the predecessor Trustee shall cease to be (i) custodian of the Funds created pursuant to Section 4.01 hereof and of all other moneys, Properties, rights and assets of the Issuer, and (ii) Paying Agent for principal and interest on the Bonds and (iii) Bond Registrar and the successor Trustee shall become such custodian, Paying Agent, and Bond Registrar. Every predecessor Trustee shall deliver to its successor Trustee all books of account, and all other records, documents and instruments relating to its duties as such custodian, Paying Agent and Bond Registrar.

62

transactions contemplated hereby, the Trustee shall have the powers and be subject to the duties set forth in Section 126 of the New York Real Property Law, as in effect on the date of this Indenture as originally executed. There are hereby incorporated by reference in this Indenture the provisions described in paragraphs (a) through (f) of Section 130-k of the New York Real Property Law, as in effect on the date of this Indenture as originally executed, including, without limitation, all provisions which are permitted by the terms of paragraphs (b)(1) and (b)(9) of such Section 130-k to be included.

Section 9.14. Continuing Disclosure. Pursuant to the Continuing Disclosure Agreement, the Institution has undertaken all responsibility for compliance with continuing disclosure requirements, and the Issuer shall have no liability to the Holders of the Bonds or any other person with respect to such disclosure matters. The Trustee hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provisions of this Indenture, failure of the Institution or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Institution to comply with its obligations under the Continuing Disclosure Agreement or to cause the Trustee to comply with its obligations under this Section 9.14.

**ARTICLE X**

**SUPPLEMENTAL INDENTURES**

Section 10.01. Supplemental Indentures Not Requiring Consent of Holders.

(a) Without the consent of or notice to any of the Holders, the Issuer and the Trustee may enter into one or more Supplemental Indentures, not inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

- (i) In connection with the issuance of Additional Bonds, to set forth such matters as are specifically required or permitted under the Indenture;
- (ii) To cure any ambiguity or formal defect or omission in this Indenture;
- (iii) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;
- (iv) To add to the covenants and agreements of the Issuer in this Indenture, other covenants and agreements to be observed by the Issuer;
- (v) To more precisely identify the Trust Estate;

64

(vi) To subject to the Lien of the Indenture additional revenue, receipts, Property or collateral;

(vii) To evidence the appointment of a successor Trustee;

(viii) To preserve the tax-exempt status of the Bonds; or

(ix) To effect any other change herein which, in the judgment of the Trustee based on an opinion of Independent Counsel, is not to the prejudice of the Trustee or the Holders.

(b) The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such Supplemental Indenture complies with the foregoing conditions and provisions.

Section 10.02. Supplemental Indentures Requiring Consent of Holders.

(a) Except as provided in Section 10.01 hereof, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this Indenture or in any Supplemental Indenture or in the Bonds; provided, however, that nothing contained in this Section shall permit:

(i) a change in the terms of redemption or maturity of the principal or the time of payment of interest on any Outstanding Bond or a reduction in the principal amount of or premium, if any, on any Outstanding Bond or the rate of interest thereon, without the consent of the Holder of such Bond; or

(ii) the creation of a Lien upon the Trust Estate ranking prior to or on a parity with the Lien created by this Indenture, without the consent of the Holders of all Outstanding Bonds; or

(iii) the creation of a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the Holders of all Outstanding Bonds; or

(iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, without the consent of the Holders of all Outstanding Bonds.

(b) If at any time the Issuer shall request the Trustee to enter into a Supplemental Indenture for any of the purposes of Section 10.02(a) hereof, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice of the proposed execution of such Supplemental Indenture to be sent to each Holder at the address of such Holder appearing on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar; provided, however, that the failure to give such notice or any defect therein shall not affect the

65

**ARTICLE XI**

**AMENDMENT OF LOAN AGREEMENT AND TAX COMPLIANCE AGREEMENT**

Section 11.01. Amendments to Loan Agreement.

(a) Without the consent of or notice to the Holders, the Issuer and the Institution may enter into, and the Trustee may consent to, any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions thereof or of this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission therein, (iii) for the purpose of issuing Additional Bonds under Section 2.13 hereof, (iv) in connection with the description of the Facility, (v) in order to preserve the tax-exempt status of the Bonds or (vi) in connection with any other change therein, which, in the sole judgment of the Trustee based on an opinion of Independent Counsel, does not adversely affect the interests of the Trustee or the Holders.

(b) Except for amendments, changes or modifications as provided in subsection (a) of this Section 11.01, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement without notice thereof being given to the Holders in the manner provided in Section 10.02 hereof and the written approval or consent of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds procured and given in the manner set forth in Section 10.02 hereof; provided, however, that no such amendment shall be permitted which changes the terms of payment thereunder without the consent of the Holders of all Outstanding Bonds.

(c) The Trustee may rely on an opinion of Independent Counsel as conclusive evidence that any such amendment, change or modification and the evidence of requisite Holder consent comply with the requirements of this Section 11.01.

Section 11.02. Reserved.

Section 11.03. Amendments to Tax Compliance Agreement.

(a) Without the consent of or notice to the Holders, the Issuer and the Institution may enter into, and the Trustee may consent to, any amendment, change or modification of the Tax Compliance Agreement as may be required (i) by the provisions thereof or of this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission therein, (iii) for the purpose of issuing Additional Bonds under Section 2.13 hereof, (iv) in connection with the description of the Facility, (v) in order to preserve the tax-exempt status of the Bonds, or (vi) in connection with any other change therein, which, in the sole judgment of the Trustee based on an opinion of Independent Counsel, does not adversely affect the interests of the Trustee or the Holders.

(b) Except for amendments, changes or modifications as provided in subsection (a) of this Section 11.03, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Tax Compliance Agreement without notice thereof being given to the Holders in the manner provided in Section 10.02 hereof and the written approval or consent of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the

67

validity of any proceeding taken pursuant hereto. Such notice shall briefly summarize the contents of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by the Holders.

(c) If, within such period after the first mailing of the notice required by Section 10.02(b) hereof as the Issuer shall prescribe, with the approval of the Trustee, the Issuer shall deliver to the Trustee an instrument or instruments executed by the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds referring to the proposed Supplemental Indenture as described in such notice and consenting to and approving the execution thereof, the Trustee shall execute such Supplemental Indenture.

(d) If the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein or in any manner to question the propriety of the execution thereof or enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

(e) The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that (i) any Supplemental Indenture entered into by the Issuer and the Trustee and (ii) the evidence of requisite consent of the Holders thereto, comply with the provisions of this Section 10.02.

(f) The Trustee shall not be required to execute a Supplemental Indenture or amendment if such Supplemental Indenture or amendment adversely affects its duties, rights or immunities.

Section 10.03. Consent of Institution to Supplemental Indentures. Notwithstanding anything contained in this Indenture to the contrary, no Supplemental Indenture shall become effective unless and until the Institution shall have consented in writing to the execution and delivery of such Supplemental Indenture.

Section 10.04. Effect of Supplemental Indentures. Any Supplemental Indenture executed in accordance with the provisions of this Article X shall thereafter form a part of this Indenture. All the terms and conditions contained in any such Supplemental Indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

66

Outstanding Bonds procured and given in the manner set forth in Section 10.02 hereof; provided, however, that no such amendment shall be permitted which changes the terms of payment thereunder without the consent of the Holders of all Outstanding Bonds.

(c) The Trustee may rely on an opinion of Independent Counsel as conclusive evidence that any such amendment, change or modification and the evidence of requisite Holder consent comply with the requirements of this Section 11.03.

Section 11.04. Consent of Trustee. Amendments to the Loan Agreement, the Tax Compliance Agreement or any other Financing Document which modify or affect the duties, liabilities or obligations of the Trustee shall not become effective unless first consented to in writing by the Trustee.

68



**ARTICLE XII**

**MISCELLANEOUS**

Section 12.01. Consent of Holders.

(a) Any consent, request, direction, approval, objection or other instrument required or permitted by this Indenture to be signed and executed by the Holders may be in any number of writings of similar tenor and may be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture and may be conclusively relied on by the Trustee with regard to any action taken thereunder:

(i) The fact and date of the execution by any Holder or his attorney of such instrument may be proved by (A) the certificate (which need not be acknowledged or verified) of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such instrument acknowledged to him the execution thereof on such date, or (B) by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation.

(ii) The ownership of any Bonds shall be proven by the registration books of the Issuer, maintained by the Trustee, as Bond Registrar.

(b) Any request, consent or vote of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done or omitted to be done by the Issuer or the Trustee in accordance therewith, unless and until such request, consent or vote is revoked by the filing with the Trustee of a written instrument, signed and executed by the Holder of the Bond, in form and substance and within such time as shall be satisfactory to the Trustee.

Section 12.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be inferred from this Indenture or the Bonds is intended or shall be construed to give to any Person, other than the parties hereto, the Holders of the Bonds and their successors and assigns, any legal or equitable right, remedy or claim under or with respect to this Indenture or any covenants, conditions and provisions herein contained. This Indenture and all of the covenants, conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto, the Holders of the Bonds and their successors and assigns as herein provided.

69

mailing, or, if given by overnight delivery service, on the date of receipt, as indicated in the records of the overnight delivery service.

Section 12.05. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.06. Applicable Law. This Indenture shall be governed exclusively by the applicable laws of the State of New York.

Section 12.07. No Recourse; Special Obligations. All covenants, stipulations, promises, agreements and obligations (collectively, the "Obligations") of the Issuer contained in the Bonds and in the other Financing Documents shall be deemed to be the Obligations of the Issuer and not of any member, officer, agent, servant or employee of the Issuer (each, an "Employee of the Issuer") in his individual capacity, and no recourse under or upon any Obligation in the Bonds or the other Financing Documents contained or otherwise based upon or in respect of this Indenture, the Bonds or the other Financing Documents or for any claim based hereon or thereon or otherwise in respect hereof or thereof, shall be had against any past, present or future Employee of the Issuer, as such, or of any successor public benefit corporation or political subdivision or any person executing any of the Bonds or the other Financing Documents on behalf of the Issuer, either directly or through the Issuer or any successor public benefit corporation or political subdivision or any person executing the Bonds or any other of such Financing Documents on behalf of the Issuer, it being expressly understood that the other Financing Documents and the Bonds issued thereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by any such Employee of the Issuer or of any successor public benefit corporation or political subdivision or any person executing the Bonds or the other Financing Documents on behalf of the Issuer because of the creation of the indebtedness thereby authorized, or under or by reason of the Obligations contained in the Bonds or the Financing Documents or implied therefrom; and that any and all such personal liability of, and any and all such rights and claims against, every such Employee of the Issuer because of the creation of the indebtedness authorized by the Bonds or the other Financing Documents, or under or by reason of the Obligations contained in any of the Financing Documents or implied therefrom, are, to the extent permitted by law, expressly waived and released as a condition of, and as a consideration for, the execution of the Financing Documents and the issuance of the Bonds. The obligations and agreements of the Issuer contained herein shall not constitute or give rise to an obligation of the State or Monroe County, New York, and neither the State nor Monroe County, New York shall be liable thereon, and further such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from payments to be made by the Institution pursuant to the Loan Agreement (except for payments to the Issuer with respect to the Unassigned Rights).

71

Section 12.03. Severability.

(a) If any provision of this Indenture shall, for any reason, be held or shall, in fact, be inoperative or unenforceable in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance or render any other provision herein contained inoperative or unenforceable.

(b) The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Indenture shall not affect the remaining portion of this Indenture or any part thereof.

Section 12.04. Notices. All notices, certificates or other communications hereunder shall be in writing and unless otherwise specifically directed or permitted by another Section of this Indenture, shall be (a) personally delivered, or (b) sent by United States Postal Service prepaid registered or certified mail, return receipt requested, or (c) sent overnight via Federal Express or other substantial national delivery service, addressed as follows:

**To the Issuer:**

Monroe County Industrial  
Development Corporation  
50 West Main Street  
Rochester, New York 14614  
Attn: Executive Director

**With Copy To:**

Harris Beach PLLC  
99 Gamsey Road  
Pittsford, New York 14534  
Attn: Rachel Baranello, Esq.

**To the Trustee:**

Wilmington Trust, National Association  
285 Delaware Avenue, 3<sup>rd</sup> Floor  
Buffalo, New York 14202  
Attn: Corporate Trust Department

**With Copy To:**

Bond, Schoeneck & King, PLLC  
One Lincoln Center  
110 West Fayette Street  
Syracuse, New York 13202  
Attn: Matthew Wells, Esq.

**To the Institution:**

St. Ann's of Greater Rochester, Inc.  
1500 Portland Avenue  
Rochester, New York 14621  
Attn: Senior Vice President & CFO

**With Copy To:**

Harter Secrest & Emery LLP  
1600 Bausch & Lomb Place  
Rochester, New York 14604-2711  
Attn: Eric Hebert, Esq.

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Trustee to either of the other shall also be given to the Institution. The Issuer, the Institution and the Trustee by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. All notices shall be deemed given on the date of personal delivery or, if mailed, five (5) days after

70

Notwithstanding any provision of this Indenture to the contrary, the Issuer shall not be obligated to take any action pursuant to any provision hereof unless (1) the Issuer shall have been requested to do so in writing by the Institution or the Trustee and (2) if compliance with such request is reasonably expected to result in the incurrance by the Issuer (or any member, officer, agent, servant or employee of the Issuer) in any liability, fees, expenses or other costs, the Issuer shall have received from the Institution security or indemnity satisfactory to the Issuer for protection against all such liability, however remote, and for the reimbursement of all such fees, expenses and other costs.

[SIGNATURE PAGE FOLLOWS]

72

IN WITNESS WHEREOF, the Issuer has caused these presents to be signed in its name and behalf by its President and, to evidence its acceptance of the trust hereby created, the Trustee has caused these presents to be signed in its name and behalf by a duly authorized trust officer and the Issuer and the Trustee have caused this Indenture to be dated as of December 1, 2019.

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

By: \_\_\_\_\_  
Peter W. Hin, President

**WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee**

By: \_\_\_\_\_  
Michelle M. Wojciechowicz, Vice President

STATE OF NEW YORK )  
COUNTY OF MONROE )

On the \_\_\_\_ day of December in the year 2019 before me, the undersigned, personally appeared Peter W. Hin, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
Notary Public

STATE OF NEW YORK )  
COUNTY OF ERIE )

On the \_\_\_\_ day of December in the year 2019 before me, the undersigned, personally appeared Michelle M. Wojciechowicz, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
Notary Public

**CONSENT BY THE INSTITUTION**

Each of St. Ann's Home for the Aged, St. Ann's Nursing Home Company, Inc., St. Ann's Senior Housing, Inc., on behalf of itself and as the sole member of Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge, Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge and The Glen at Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge, and Chapel Oaks, Inc. (collectively, the "Institution") hereby approves, consents to and agrees to be bound by all of the terms and provisions of this Indenture, as such terms or provisions, directly or indirectly, relate to, apply to, require or prohibit action by or deal with the Institution, or property of the Institution, including, but not limited to, all provisions for the deposit or payment of moneys to funds held by the Trustee under the Indenture, as so amended. The Institution hereby agrees, at its own expense, to do all things and take all actions as shall be necessary to enable the Issuer to perform its obligations under the Indenture, as so amended. This paragraph shall bind the Institution and its successors and assigns.

**ST. ANN'S HOME FOR THE AGED**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**ST. ANN'S NURSING HOME COMPANY, INC.**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**ST. ANN'S SENIOR HOUSING, INC.**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CERRY RIDGE INDEPENDENT LIVING, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CERRY RIDGE APARTMENTS, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CONSENT BY THE INSTITUTION - CONTINUED**

**THE GLEN AT CHERRY RIDGE, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CHAPEL OAKS, INC.**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

STATE OF NEW YORK )  
COUNTY OF MONROE )

On the \_\_\_\_ day of December in the year 2019 before me, the undersigned, personally appeared Dennis P. Kant, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
Notary Public

**EXHIBIT A**

**FORM OF BOND**

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the owner hereof, Cede & Co., has an interest herein.

REGISTERED \_\_\_\_\_ \$[\_\_\_\_\_] R-[\_\_]

**Monroe County Industrial Development Corporation  
Tax-Exempt Revenue Bonds  
(St. Ann's Community Project), Series 2019**

| <u>Interest Rate</u> | <u>Dated Date</u> | <u>Maturity Date</u> | <u>CUSIP</u> |
|----------------------|-------------------|----------------------|--------------|
| ____%                | December 30, 2019 | January 1, 20[__]    | 61075TU[__]  |

Registered Owner: CEDE & CO. as nominee of DTC

Principal Sum: \_\_\_\_\_ (\$ \_\_\_\_\_)

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION, a not-for-profit local development corporation of the State of New York (the "Issuer"), acknowledges itself indebted and for value received does hereby promise to pay, but solely from the source and as hereinafter provided, to the Registered Owner (named above), or registered assigns, on the Maturity Date set forth above (subject to the right of prior redemption as hereinafter provided), the Principal Sum stated above and in like manner to pay interest on said sum from the Dated Date stated above or from the most recent Interest Payment Date to which interest has been paid or provided for, at the interest rate per annum specified above, semi-annually on the first (1<sup>st</sup>) day of January and July of each year (each, a "Bond Payment Date"), commencing with July 1, 2020, and continuing to and including the Maturity Date set forth above. Interest on this bond shall be computed on the basis of a 360-day year composed of twelve (12) thirty (30) day months.

Payment of the principal of this bond, and, if this bond shall be redeemed prior to maturity, payment of the principal, redemption premium, if any, and interest accrued to the redemption date, shall be made at the corporate trust office of Wilmington Trust, National Association, as paying agent of the Issuer (the "Paying Agent") at 285 Delaware Avenue, 3<sup>rd</sup> Floor, Buffalo, New York 14202 or at the office of its successors in trust or at the office designated for such payment of any successor Paying Agent named by the Issuer. Interest

hereon shall be paid to the registered owner hereof as of the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a Business Day) of the calendar month next preceding such Bond Payment Date (the "Regular Record Date"), and shall be paid by check or draft mailed to such registered owner at the address appearing on such registration books or, at the election of a registered holder of not less than \$1,000,000 aggregate principal amount of the Bonds (as hereinafter defined), by bank wire transfer to a bank account maintained by such registered owner in the United States of America designated in written instructions delivered to the Trustee (as defined herein) at least five (5) Business Days (as hereinafter defined) prior to the date of such payment. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the Person in whose name this Bond is registered at the close of business on a date for the payment of such defaulted interest to be fixed by the Trustee (the "Special Record Date"), notice thereof being given to the registered owners of the Bonds not less than fifteen (15) days prior to such Special Record Date. The principal, premium, if any, and interest on this Bond are payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

Any payment of interest or principal which is due on a day other than a Business Day shall be due and payable on the next succeeding Business Day with the same effect as if paid on the due date. "Business Day" means a day other than a Saturday, Sunday, legal holiday or other day on which the Trustee is authorized by law or executive order to remain closed.

This bond is one of a duly authorized issue of bonds limited in the aggregate principal amount of \$108,825,000 (the "Bonds") issued and authorized to be issued for the purpose of assisting in the financing of the Project (as defined in the hereinafter defined Indenture).

The Bonds are all issued under and are equally and ratably secured and entitled to the security given by a certain Indenture of Trust, dated as of December 1, 2019 (the "Indenture"), by and between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee"). The Indenture, among other things, grants a security interest in the Trust Estate (as defined in the Indenture) to the Trustee. The Indenture further provides that the Issuer shall deposit the Bond Proceeds with the Trustee for the account of the Issuer, and that the Trustee shall disburse said moneys to pay the Project Costs (as defined in the Indenture), but only upon satisfaction of the requirements set forth in the Indenture for making such disbursements. Financing statements with respect to the Indenture are filed in the Office of the Secretary of State of the State of New York.

The Bonds are secured by a certain Pledge and Assignment, dated as of December 1, 2019 (the "Pledge and Assignment"), from the Issuer to the Trustee, pursuant to which the Issuer assigns to the Trustee substantially all of its rights (except the Unassigned Rights) under the Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and among the Issuer and St. Ann's Home for the Aged (the "Home"), St. Ann's Nursing Home Company, Inc. (the "Heritage"), St. Ann's Senior Housing, Inc. (the "Sole Member"), on behalf of itself and as the sole member of Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge (the "CRIL"), Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge (the "CRA") and The Glen at Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge (the "CRG"),

A-2

and Chapel Oaks, Inc. (the "CO", and collectively with the Home, the Heritage, the Sole Member, the CRIL, CRA and CRG, the "Institution"), including the right to receive Debt Service Payments thereunder.

As security for the Institution's obligations under the Loan Agreement, the Obligated Group Representative, on behalf of the Obligated Group (as each such term is defined in the hereinafter defined Master Indenture), has issued Master Note No. 1 to the Trustee by way of endorsement from the Issuer (the "Master Note No. 1"), pursuant to and in accordance with the Master Trust Indenture, dated as of December 1, 2019 (the "Original Master Indenture"), by and among the Institution, St. Ann's of Greater Rochester, Inc., as the Obligated Group Representative, and Wilmington Trust, National Association, in its capacity as master trustee (the "Master Trustee"), as supplemented by a Supplemental Indenture Number 1, dated as of December 1, 2019 (the "Supplemental Indenture No. 1", and together with the Original Master Indenture, the "Master Trust Indenture" or the "Master Indenture"), by and between the Obligated Group Representative and the Master Trustee.

As security for the Master Note No. 1, the Institution granted to the Issuer first, second and third mortgage liens on and first, second and third security interests in certain properties of the Institution pursuant to a certain Mortgage and Security Agreement (Acquisition Loan), Mortgage and Security Agreement (Project Loan) and Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Obligated Group Representative and the Institution to the Issuer (collectively, the "Mortgage"); which mortgage liens and security interests have been assigned by the Issuer to the Master Trustee pursuant to a certain Assignment of Mortgage and Security Agreement (Acquisition Loan), Assignment of Mortgage and Security Agreement (Project Loan) and Assignment of Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Issuer to the Master Trustee (collectively, the "Assignment of Mortgage").

Reference is hereby made to the Loan Agreement, the Indenture, the Master Note No. 1, the Master Trust Indenture and the Pledge and Assignment, copies of which are on file at the corporate trust office of the Trustee and at the office of the Issuer, and to all amendments and supplements thereto for the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the Issuer, the Trustee, the Institution and the Holders and the terms upon which the Bonds are or may be secured.

This bond and the issue of which it is a part are special obligations and not general obligations of the Issuer and it is understood and agreed that the Owners shall look exclusively to the Trust Estate, the Indenture, and such other security as may from time to time be given for payment of obligations arising out of the Bonds and the Indenture and that any judgment rendered on the Bonds, the Indenture or such other security shall be limited to the Trust Estate and any such other security so given for the satisfaction thereof; and that no deficiency or personal judgment, nor any order or decree of specific performance shall be sought or rendered against the Issuer, its successors or assigns, in any action or proceeding brought on the Bonds, or any judgment, order or decree rendered pursuant to any such action or proceeding. Pursuant to the Loan Agreement, payments (except payments included in Unassigned Rights) payable to the Issuer are required to be made by the Institution directly to the Trustee and to be deposited in a

A-3

separate account of the Bond Fund held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

NO COVENANT OR AGREEMENT CONTAINED IN THIS BOND OR IN THE INDENTURE OR THE LOAN AGREEMENT, OR IN ANY DOCUMENT CONNECTED THEREWITH SHALL BE DEEMED TO BE THE COVENANT OR AGREEMENT OF ANY MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE ISSUER IN HIS INDIVIDUAL CAPACITY. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR THE INTEREST ON, THIS BOND OR FOR ANY CLAIM BASED THEREON OR ON THE INDENTURE OR THE LOAN AGREEMENT, AGAINST ANY MEMBER, OFFICER, AGENT OR EMPLOYEE, PAST, PRESENT OR FUTURE, OF THE ISSUER, OR OF ANY SUCCESSOR CORPORATION, AS SUCH, EITHER DIRECTLY, OR THROUGH THE ISSUER OR ANY SUCH SUCCESSOR CORPORATION, WHETHER BY VIRTUE OF ANY CONSTITUTIONAL PROVISION, STATUTE, OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY, OR OTHERWISE, ALL SUCH LIABILITY OF SUCH MEMBERS, OFFICERS, AGENTS OR EMPLOYEES, BEING RELEASED AS A CONDITION OF, AND AS CONSIDERATION FOR, THE EXECUTION AND DELIVERY OF THIS BOND AND THE INDENTURE.

THIS BOND IS NOT AND SHALL NOT BE A DEBT OR LOAN OF CREDIT OF THE STATE OF NEW YORK OR MONROE COUNTY, NEW YORK AND NEITHER THE STATE OF NEW YORK NOR MONROE COUNTY, NEW YORK SHALL BE LIABLE HEREOF.

The Bonds are issuable as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof.

**SPECIAL REDEMPTION**

The Bonds are subject to redemption prior to maturity at the option of the Issuer (exercised at the direction of the Authorized Representative of the Institution), in whole or in part on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Facility to which such proceeds relate, and (ii) from unexpended proceeds of the Series 2019 Bonds upon the abandonment of all or a portion of the Facility to which such unexpended proceeds relate due to a legal or regulatory impediment.

**SINKING FUND REDEMPTION**

The Bonds maturing on [ ] are subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

A-4

| Sinking Fund Redemption Dates | Sinking Fund Redemption Amounts |
|-------------------------------|---------------------------------|
|                               |                                 |
|                               |                                 |
|                               |                                 |
|                               |                                 |
| *                             |                                 |

\*Maturity Date

Not less than thirty (30) days nor more than sixty (60) days next preceding a sinking fund redemption date, the Trustee shall select for redemption on such date a principal amount of Bonds subject to redemption, in an amount not exceeding that necessary to complete the retirement of an aggregate principal amount of Bonds equal to such sinking fund redemption amount, as of such sinking fund redemption date. Accrued interest and principal on such Bonds so redeemed shall be paid from the Bond Fund, and all expenses in connection with such redemption shall be paid by the Institution. All Bonds shall be redeemed in the manner provided in Sections 3.02 and 3.03 of the Indenture. The Institution may, at its election upon delivery to the Trustee of a certificate signed by an Authorized Representative of the Institution, apply as a credit against the aggregate principal amount of Bonds subject to redemption on such sinking fund redemption date the principal amount of Bonds of the same maturity acquired by the Institution and delivered to the Trustee for cancellation not less than ninety (90) days prior to such sinking fund redemption date, or redeemed otherwise than pursuant to an optional redemption as provided herein which have not theretofore been used for the purposes of any such credit.

**OPTIONAL REDEMPTION**

The Bonds are subject to redemption by the Issuer at the option of the Institution on or after January 1, 2026, in whole or in part at any time, at the following prices expressed in percentages of their principal amount to be redeemed, plus accrued interest to the Redemption Date:

| Redemption Dates<br>(both dates inclusive) | Redemption Price |
|--|------------------|
| January 1, 2026 through December 31, 2026  | 103%             |
| January 1, 2027 through December 31, 2027  | 102              |
| January 1, 2028 through December 31, 2028  | 101              |
| January 1, 2029 and thereafter             | 100              |

**PURCHASE IN LIEU OF REDEMPTION**

If the Bonds are called for redemption in whole or in part pursuant to the terms of the Indenture, the Bonds called for redemption may be purchased in lieu of redemption in accordance with the Indenture. Purchase in lieu of redemption shall be available for all of the

A-5

Bonds called for redemption or for such lesser portion of such Bonds as constitute authorized denominations. The Institution may direct the Trustee to purchase all or such lesser portion of the Bonds so called for redemption.

If less than all Bonds of the same series and maturity are to be redeemed, the Bonds of such series and maturity to be called for redemption shall be selected by lot. If less than all of the Bonds of the same series and different maturities are to be redeemed, the Bonds to be redeemed shall be as directed by the Authorized Representative of the Institution in writing, or if no such written direction is received by the Trustee, the principal amount of such redemption shall be applied in inverse order of maturity and by lot within a maturity. If a portion of this bond shall be called for redemption, a new bond in the principal amount equal to the unredeemed portion hereof shall be issued to the Owner upon the surrender hereof.

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed and stating certain other matters as set forth in the Indenture shall be given by mailing a copy of such notice, postage prepaid, not less than twenty (20) days nor more than sixty (60) days prior to the Redemption Date, to each Holder of a Bond to be redeemed at the address of such Holder appearing on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar. Such mailing shall not be a condition precedent to such redemption, and failure to mail any such notice to any of such Holders shall not affect the validity of the proceedings for the redemption of the Bonds. With respect to any optional redemption under the Indenture, any such notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee, on or prior to the Redemption Date, of moneys sufficient, together with any other moneys held by the Trustee and available therefor, to pay on the Redemption Date the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received on or prior to the Redemption Date such notice shall be of no force or effect and such Bonds shall not be required to be redeemed.

On the specified Redemption Date, all Bonds so called for redemption shall cease to bear interest and shall no longer be secured by the Indenture.

The Holder of this bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as otherwise expressly provided in the Indenture. In addition, the right of the Holder of this bond to institute or prosecute a suit for the enforcement of payment hereof or to enter a judgment in any such suit is limited to the extent that such action would result in the surrender, impairment, waiver or loss of the lien of the Indenture for the equal and ratable benefit of all Holders of Bonds.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been signed by the Trustee.

This bond may not be waived, changed, modified or discharged orally, but only by agreement in writing, signed by the party against whom any enforcement of any waiver, change,

A-6

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen or be performed precedent to and in the execution and delivery of the Indenture and the issuance of this bond do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this bond and the issue of which it is a part, together with all other obligations of the Issuer, does not exceed or violate any constitutional, statutory or corporate limitations.

[SIGNATURE PAGE FOLLOWS]

A-8

modification or discharge is sought. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and under the circumstances permitted by the Indenture.

Capitalized terms used in this bond and not defined herein shall have the meaning ascribed to such terms by the Indenture.

This bond is fully negotiable and transferable, as provided in the Indenture, only upon books of the Issuer kept by the Trustee, by the registered owner hereof or by his attorney duly authorized in writing, upon surrender of this bond, together with a written instrument of transfer satisfactory to the Trustee. Thereupon a new bond or bonds, in fully registered form without coupons, in the same aggregate principal amount and of the same maturity and rate of interest as the surrendered bond shall be issued to the transferee in exchange therefor as provided in the Indenture.

The Issuer, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered upon the books of the Issuer on the Record Date as the absolute owner hereof, whether this bond shall be overdue or not, for the purpose of receiving payment of the principal of, premium, if any, and interest on this bond and for all other purposes. All such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability of the Issuer upon this bond to the extent of the sum or sums so paid. Neither the Issuer, the Trustee nor any Paying Agent shall be affected by any notice to the contrary. For every transfer of Bonds, the Issuer and the Trustee may make a charge sufficient to reimburse them for (i) any tax, fee or other governmental charge required to be paid with respect to such transfer, (ii) the cost of preparing each new Bond, and (iii) any other expenses of the Issuer or the Trustee incurred in connection therewith, and any such charges shall be paid by the Institution.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the owners of the Bonds at any time by the Issuer with the consent of the Holders of fifty-one percent (51%) in aggregate principal amount of the Bonds at the time Outstanding. Any such consent or any waiver by the Holders of fifty-one percent (51%) in aggregate principal amount of the Bonds shall be conclusive and binding upon the Owner and upon all future Owners of this bond and of any bond issued in replacement hereof whether or not notation of such consent or waiver is made upon this bond. The Indenture also contains provisions which, subject to certain conditions, permit or require the Trustee to waive certain past defaults under the Indenture and their consequences.

A-7

IN WITNESS WHEREOF, MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION has caused this Bond to be executed in its name by the manual or facsimile signature of its Authorized Representative.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

By: \_\_\_\_\_  
Peter W. Hin, President

A-9

**CERTIFICATE OF AUTHENTICATION**

This bond is one of the Bonds described in and issued under the provisions of the within mentioned Indenture of Trust.

Date of Authentication: December [ ], 2019

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Michelle M. Wojciechowicz, Vice President

**(FORM OF TRANSFER)**

FOR VALUE RECEIVED, the undersigned, hereby sells, assigns and transfers unto \_\_\_\_\_ (Tax Identification or Social Security No.) the within bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration, enlargement or any change whatsoever.

Signature Guaranteed

Notice: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

[END OF FORM OF BOND]

A-10

A-11

**EXHIBIT B**

**FORM OF REQUISITION FOR PAYMENT AND REIMBURSEMENT**

To: Wilmington Trust, National Association  
285 Delaware Avenue, 3<sup>rd</sup> Floor  
Buffalo, New York 14202  
Attn: Corporate Trust Department

Re: **Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann's Community Project) Series 2019**

Requisition Number: [ ]

Date: [ ]

Ladies and Gentlemen:

You are hereby authorized and directed to make the following disbursements from the Project Fund in accordance with Section 4.04 of that certain Indenture of Trust, dated as of December 1, 2019 (the "Indenture"), by and between the Monroe County Industrial Development Corporation (the "Issuer") and Wilmington Trust, National Association, as trustee (the "Trustee").

(i) Name(s) and address(es) of the person(s) to whom payment is to be made, and the amount to be paid to each:

[ ]

(ii) General classification of the expenditure pursuant to the Loan Agreement by and between the Issuer and the Institution, dated as of December 1, 2019 (the "Loan Agreement"):

- 1. Payment to KeyBank National Association for refunding of the Prior Bonds: \$
- 2. Payment to KeyBank National Association for payment Of the Swap termination fee: \$
- 3. Architects, Engineers or similar fees: \$
- 4. Costs of acquiring, constructing and equipping the 2019 Home Facility: \$
- 5. Fees and other expenses for recording and filing: \$
- 6. Insurance Premiums: \$
- 7. Construction period interest: \$
- 8. Legal, accounting, investment banking, etc. fees: \$

B-1

- 9. Trustee's fees and expenses, including legal fees: \$
- 10. Administrative fee of the Issuer: \$
- 11. Title insurance and surveying fees, if any: \$
- 12. Reimbursement, if any, for payment by the Institution of items in 1-11 above: \$

With respect to the obligation(s) referred to above, the undersigned, an Authorized Representative of the Institution, hereby certifies to the best of their knowledge that:

(A) items (i) and (ii) have been completed correctly and accurately;

(B) the disbursement hereby requested is for a proper expenditure of moneys in the Project Fund pursuant to the Loan Agreement and, with respect to Project Costs for the 2019 Home Facility, is subject to the terms and provisions of the Building Loan Agreement;

(C) with respect to items covered in this requisition, the undersigned has no knowledge of any vendors', mechanics' or other liens, bailment, leases, conditional sale contracts, security interests or laborers' claims which should be satisfied or discharged before the payments as requisitioned are made or which will not be discharged by such payment;

(D) none of the amounts for which this requisition is made has been the basis for any prior disbursement from the Project Fund;

(E) the amount hereby requested has been paid or is to be paid or shall be paid from the moneys requested and that insofar as the payment is for work, materials, supplies, or equipment, the work has been performed and the materials, supplies or equipment have been installed in the Facility or have been delivered to the Facility;

(F) all Persons furnishing material to or performing work on the Facility have been fully paid to date or will be fully paid out of the proceeds of this requisition or future requisitions or with other sources of funds (to the extent of amounts then due and payable);

(G) the undisbursed portion of the Project Fund, together with other sources of funds, is sufficient to complete the Project;

(H) such requested disbursement is consistent in all material aspects with the Tax Compliance Agreement;

(I) there exists no "Event of Default" under any of the Financing Documents or any event, condition or act which would constitute an "Event of Default" under any of the Financing Documents but for the requirement that notice be given or time elapse or both;

B-2

(J) if the payment is a reimbursement to the Institution for costs or expenses incurred by reason of work performed or supervised by officers or employees of the Institution, such officers or employees were specifically employed for such purpose, that the amount to be paid does not exceed the actual cost thereof to the Institution; and

(K) the amounts requested by this requisition with respect to Issuance Costs (as such term is defined in the Tax Compliance Agreement), if any, when added to all prior amounts disbursed from the Project Fund for Issuance Costs, does not exceed two percent (2%) of the proceeds of the Series 2019 Bonds.

The capitalized terms herein, unless otherwise defined, will have the meaning provided in the Indenture.

Enclosed with this requisition are true and correct copies of all supporting invoices and/or a schedule of costs for the expenditures referred to herein.

\_\_\_\_\_  
By: \_\_\_\_\_

IN ACCORDANCE WITH A CERTAIN PROPOSAL FOR CONSTRUCTION MONITORING SERVICES WITH RESPECT TO THE 2019 HOME FACILITY, APPROVED BY:

**zumBrunnen, Inc.**,  
as construction consultant

By: \_\_\_\_\_

[END OF FORM OF REQUISITION]

B-3

**SCHEDULE A**

**CAPITALIZED INTEREST PAYMENT SCHEDULE**

| Interest Payment Date | Capitalized Interest Amount |
|-----------------------|-----------------------------|
| July 1, 2020          | \$941,778.19                |
| January 1, 2021       | 936,575.00                  |
| July 1, 2021          | 936,575.00                  |
| January 1, 2022       | 936,575.00                  |
| July 1, 2022          | 931,371.81                  |

[END OF SCHEDULE A]

Schedule A-1

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|  |  |
|--|--|
| MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION   |  |
| AND  |  |
| ST. ANN'S HOME FOR THE AGED, ST. ANN'S NURSING HOME COMPANY, INC.,<br>ST. ANN'S SENIOR HOUSING, INC., ON BEHALF OF ITSELF AND AS THE SOLE<br>MEMBER OF CHERRY RIDGE INDEPENDENT LIVING, LLC D/B/A THE COTTAGES AT<br>CHERRY RIDGE, CHERRY RIDGE APARTMENTS, LLC D/B/A APARTMENT HOMES<br>AT CHERRY RIDGE AND THE GLEN AT CHERRY RIDGE, LLC D/B/A RAINIER GROVE<br>AT CHERRY RIDGE, AND CHAPEL OAKS, INC. |  |
| <hr/> <b>LOAN AGREEMENT</b> <hr/>  |  |
| Dated as of December 1, 2019<br>Relating To:   |  |
| \$108,825,000<br>Monroe County Industrial Development Corporation<br>Tax-Exempt Revenue Bonds<br>(St. Ann's Community Project), Series 2019  |  |

|  |             |
|--|-------------|
|  | <u>Page</u> |
| ARTICLE I DEFINITIONS AND REPRESENTATIONS.....   | 6           |
| Section 1.1. Definitions.....  | 6           |
| Section 1.2. Construction.....   | 6           |
| Section 1.3. Representations and Warranties by Issuer.....   | 6           |
| Section 1.4. Findings by Issuer.....   | 7           |
| Section 1.5. Representations and Warranties by Institution.....                                    | 7           |
| ARTICLE II THE PROJECT.....  | 9           |
| Section 2.1. The Project.....  | 9           |
| Section 2.2. Completion by Institution.....  | 10          |
| Section 2.3. Series 2019 Bonds.....  | 10          |
| Section 2.4. Application of Moneys in Project Fund.....  | 10          |
| ARTICLE III ISSUANCE OF SERIES 2019 BONDS; PAYMENT PROVISIONS AND<br>RELATED PROVISIONS.....       | 12          |
| Section 3.1. Issuance of Series 2019 Bonds.....  | 12          |
| Section 3.2. Payment Provisions; Pledge of Loan Agreement.....                                     | 12          |
| Section 3.3. Obligation of Institution Unconditional.....  | 14          |
| ARTICLE IV MAINTENANCE, TAXES AND INSURANCE.....   | 14          |
| Section 4.1. Maintenance, Alterations and Improvements.....  | 14          |
| Section 4.2. Removal of Property of the Facility.....  | 15          |
| Section 4.3. Taxes, Assessments and Charges.....   | 15          |
| Section 4.4. Insurance.....  | 16          |
| Section 4.5. Advances by Issuer or Bondholders.....  | 18          |
| Section 4.6. Compliance with Law.....  | 18          |
| ARTICLE V DAMAGE, DESTRUCTION AND CONDEMNATION.....  | 19          |
| Section 5.1. Damage, Destruction and Condemnation.....   | 19          |
| ARTICLE VI PARTICULAR COVENANTS.....   | 21          |
| Section 6.1. Restrictions on Institution.....  | 21          |
| Section 6.2. Indemnity.....  | 21          |
| Section 6.3. Compensation and Expenses of Trustee, Bond Registrar, Paying Agent<br>and Issuer..... | 24          |
| Section 6.4. Reserved.....   | 25          |
| Section 6.5. Institution's Covenant as to Tax Exemption.....                                       | 25          |
| Section 6.6. Notice by the Institution.....  | 25          |
| Section 6.7. Discharge of Liens.....   | 25          |
| Section 6.8. Issuer's Authority.....   | 26          |
| Section 6.9. No Warranty of Condition or Suitability.....  | 26          |
| Section 6.10. Amounts Remaining in Funds.....  | 26          |
| Section 6.11. Issuance of Additional Bonds.....  | 26          |
| Section 6.12. Reserved.....  | 27          |

|  |    |
|--|----|
| Section 6.13. Redemption Under Certain Circumstances; Special Covenants..... | 27 |
| Section 6.14. Further Assurances.....  | 28 |
| Section 6.15. Filing and Recording.....                                      | 28 |
| Section 6.16. Right to Cure Issuer Defaults.....                             | 29 |
| Section 6.17. Construction Monitor.....                                      | 29 |
| Section 6.18. Preservation of Exempt Status.....                             | 29 |
| Section 6.19. Securities Law Status.....                                     | 30 |
| ARTICLE VII EVENTS OF DEFAULT; REMEDIES.....                                 | 30 |
| Section 7.1. Events of Default.....  | 30 |
| Section 7.2. Remedies on Default.....  | 31 |
| Section 7.3. Reserved.....   | 32 |
| Section 7.4. Remedies Cumulative.....  | 32 |
| Section 7.5. No Additional Waiver Implied by One Waiver.....                 | 32 |
| Section 7.6. Effect on Discontinuance of Proceedings.....                    | 33 |
| Section 7.7. Agreement to Pay Attorneys' Fees and Expenses.....              | 33 |
| ARTICLE VIII OPTIONS.....  | 33 |
| Section 8.1. Options.....  | 33 |
| Section 8.2. Termination on Exercise of Option to Terminate.....             | 34 |
| Section 8.3. Option to Purchase or Invite Tenders of Bonds.....              | 34 |
| Section 8.4. Termination of Loan Agreement.....                              | 35 |
| ARTICLE IX MISCELLANEOUS.....  | 35 |
| Section 9.1. Indenture; Amendment.....                                       | 35 |
| Section 9.2. Force Majeure.....  | 35 |
| Section 9.3. Assignment.....   | 36 |
| Section 9.4. Priority of Indenture.....                                      | 37 |
| Section 9.5. Benefit of and Enforcement by Bondholders.....                  | 37 |
| Section 9.6. Amendments.....   | 37 |
| Section 9.7. Notices.....  | 37 |
| Section 9.8. Prior Agreements Superseded.....                                | 37 |
| Section 9.9. Severability.....   | 37 |
| Section 9.10. Inspection of Facility.....                                    | 37 |
| Section 9.11. Effective Date; Counterparts.....                              | 38 |
| Section 9.12. Binding Effect.....  | 38 |
| Section 9.13. Net Agreement.....   | 38 |
| Section 9.14. Laws Governing.....  | 38 |
| Section 9.15. Investment of Funds.....                                       | 38 |
| Section 9.16. Investment Tax Credit.....                                     | 38 |
| Section 9.17. Waiver of Trial by Jury.....                                   | 38 |
| Section 9.18. Non-Discrimination.....  | 38 |
| Section 9.19. No Recourse under this Loan Agreement or on Bonds.....         | 39 |
| Section 9.20. Date of Loan Agreement for Reference Purposes Only.....        | 40 |

**LOAN AGREEMENT**

**LOAN AGREEMENT**, made and entered into as of December 1, 2019 (the "Loan Agreement"), by and between the **MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**, a not-for-profit local development corporation of the State of New York, duly organized and existing under the laws of the State of New York, having its principal office at 50 West Main Street, Rochester, New York 14614 (the "Issuer"), **ST. ANN'S HOME FOR THE AGED**, a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 1500 Portland Avenue, Rochester, New York 14621 (the "Home"), **ST. ANN'S NURSING HOME COMPANY, INC.**, a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 1500 Portland Avenue, Rochester, New York 14621 (the "Heritage"), **ST. ANN'S SENIOR HOUSING, INC.**, a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 (the "Sole Member"), on behalf of itself and as the sole member of **CHERRY RIDGE INDEPENDENT LIVING, LLC D/B/A THE COTTAGES AT CHERRY RIDGE**, a limited liability company organized and existing under the laws of the State of New York, acting on behalf of the Sole Member, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 (the "CRIL"), **CHERRY RIDGE APARTMENTS, LLC D/B/A APARTMENT HOMES AT CHERRY RIDGE**, a limited liability company organized and existing under the laws of the State of New York, acting on behalf of the Sole Member, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 (the "CRA") and **THE GLEN AT CHERRY RIDGE, LLC D/B/A RAINIER GROVE AT CHERRY RIDGE**, a limited liability company organized and existing under the laws of the State of New York, acting on behalf of the Sole Member, with an office located at 900 Cherry Ridge Boulevard, Webster, New York 14580 (the "CRG"), and **CHAPEL OAKS, INC.**, a not-for-profit corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 1500 Portland Avenue, Rochester, New York 14621 (the "CO"), and collectively with the Home, the Heritage, the Sole Member, the CRIL, the CRA and the CRG, the "Institution"):

**WITNESSETH:**

WHEREAS, pursuant to Section 1411 of the Not-for-Profit Corporation Law ("N-PCL") of the State of New York (the "State"), as amended (hereinafter collectively called the "Act"), and pursuant to its certificate of incorporation, as amended (the "Certificate"), the Issuer was established as a not-for-profit local development corporation of the State with the authority and power to own, lease and sell personal and real property for the purposes of, among other things, acquiring, constructing and equipping certain projects exclusively in furtherance of the charitable or public purposes of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, by encouraging the development of, or retention of, an industry in the community or area, and lessening the burdens of government and acting in the public interest; and

WHEREAS, the Act further authorizes the Issuer to issue its bonds and to loan the proceeds thereof for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to pledge certain revenues and receipts to secure the payment of such bonds and interest thereon; and

WHEREAS, by resolution adopted August 13, 2019 (the "Bond Resolution"), the Issuer determined to issue its \$108,825,000 Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019 (the "Series 2019 Bonds") for the benefit of the Institution for the purpose of financing the Project (as defined below); and

WHEREAS, the project (collectively, the "Project") consists of: (I) the Home project consisting of: (A) the 2019 Home project (the "2019 Home Project") consisting of: (i) the renovation, equipping and modernization of the approximately 258,000 square-foot, ten (10) story existing 388-bed skilled nursing facility tower located at 1500 Portland Avenue, in the Town of Irondequoit, County of Monroe, New York (the "Irondequoit Campus") in order to provide for, among other things, renovated and reconfigured resident rooms, family/common areas, back of the house areas, including, but not limited to, staff and nurse stations, food service areas and cooling/duct/electrical upgrades, together with ancillary and related facilities and improvements (collectively, the "2019 Home Improvements") and (ii) the acquisition and installation in and around the 2019 Home Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "2019 Home Equipment", together with the 2019 Home Improvements, the "2019 Home Facility"); (B) the funding of capitalized interest relating to the 2019 Home Facility; (C) the refunding of the outstanding principal amount of the \$28,881,867.31 original principal amount Tax-Exempt Revenue Bonds (St. Ann's Home for the Aged Project), Series 2014A (the "Home Series 2014A Bonds") issued by the Issuer for the benefit of the Home, the proceeds of which were applied to (i) refund the outstanding principal amount of the \$16,000,000 original principal amount Civic Facility Revenue Bonds (St. Ann's Home for the Aged Project), Series 2000 issued by the County of Monroe Industrial Development Agency ("COMIDA") for the benefit of the Home, the proceeds of which were applied to finance and/or refinance the acquisition, construction, expansion, renovation and equipping at the Irondequoit Campus of an approximately 258,000 square-foot 388-bed St. Ann's Home facility (collectively, the "2000 Home Facility") and (ii) refund the outstanding principal amount of the \$17,200,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Home For The Aged Project), Series 2010 issued by the Issuer for the benefit of the Home, the proceeds of which were applied to finance and/or refinance the construction and equipping at the Irondequoit Campus of: (1) an approximately 78,000 square-foot, four-story skilled nursing facility to house the Home's new nursing home (both intermediate-care and skilled nursing facilities) with 72 sub-acute/rehabilitation care beds and 10 hospice inpatient general beds, together with ancillary and related facilities and improvements, (2) an approximately 500 square-foot ground floor structure to connect to the northern end of the existing St. Ann's Home facility and (3) a basement below the skilled nursing facility to house a therapy gym and to provide mechanical space, storage and below-grade access to support services (collectively, the "2010 Home Facility" and, together with the 2000 Home Facility and the 2019 Home Facility, the "Home Facility") and (D) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29,

2

CRG, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 42 one-bedroom and 33 studio assisted living suites for senior living, together with ancillary and related facilities and improvements, constituting approximately 38,000 square-feet (collectively, the "CRG Facility"); (VI) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Sole Member, the CRIL, the CRA, the CRG and KeyBank, National Association; (VII) the CO project consisting of (A) the refunding of the outstanding principal amount of the \$9,065,000 Revenue Refunding Bonds (Chapel Oaks, Inc. Project), Series 2014 (the "CO Series 2014 Bonds", and collectively with the Home Series 2014A Bonds, the Heritage Series 2014A Bonds, the CRIL Series 2014A Bonds, the CRA Series 2014A Bonds and the CRG Series 2014A Bonds, the "Prior Bonds") issued by the Village of East Rochester Housing Authority for the benefit of the CO, the proceeds of which were applied to refund the outstanding principal amount of the \$ 14,455,000 original principal amount Revenue Bonds (Chapel Oaks, Inc. Project), Series 1997 issued by the Dormitory Authority of the State of New York for the benefit of the CO, the proceeds of which were applied to finance and/or refinance the construction and equipping at the Irondequoit Campus of a 120 -unit independent living rental facility for middle income senior citizens (collectively, the "CO Facility"), and together with the Home Facility, the Heritage Facility, the CRIL Facility, the CRA Facility and the CRG Facility, the "Facility") and (B) the payment of the termination fee pursuant to that certain Master Agreement, dated January 9, 2014, as may be supplemented from time to time, by and between the CO and KeyBank, National Association; (VIII) the funding of the deposit to the Reserve Fund (as defined in the hereinafter defined Master Trust Indenture and as created thereunder) and (IX) the payment of certain costs and expenses incidental to the issuance of the Series 2019 Bonds and the defeasance and/or redemption of the Prior Bonds (the costs associated with items (I) through (IX) above being hereinafter collectively referred to as the "Project Costs"); and

WHEREAS, the Issuer, in order to provide funds for all or a portion of the cost of the Project and for incidental and related costs thereto, shall issue the Series 2019 Bonds pursuant to the Act, the Bond Resolution and an Indenture of Trust, dated as of December 1, 2019 (the "Indenture"), by and between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee"); and

WHEREAS, as security for the Series 2019 Bonds, the Issuer assigned to the Trustee all of its rights (except Reserved Rights, as defined in the Indenture) under the Loan Agreement, pursuant to the terms of a certain Pledge and Assignment, dated as of December 1, 2019 (the "Pledge and Assignment"), from the Issuer to the Trustee; and

WHEREAS, as security for the Institution's obligations under the Loan Agreement, the Obligated Group Representative, on behalf of the Obligated Group (each as defined in the Indenture), has issued Master Note No. 1 to the Trustee by way of endorsement from the Issuer (the "Master Note No. 1"), pursuant to and in accordance with the Master Trust Indenture, dated as of December 1, 2019 (the "Original Master Indenture"), by and among the Institution, the Obligated Group Representative and Wilmington Trust, National Association, in its capacity as master trustee (the "Master Trustee"), as supplemented by a Supplemental Indenture Number 1, dated as of December 1, 2019 (the "Supplemental Indenture No. 1", and together with the

4

2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Home and KeyBank, National Association; (II) the Heritage project consisting of (A) the refunding of the outstanding principal amount of the \$16,246,280.90 Tax-Exempt Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2014A (the "Heritage Series 2014A Bonds") issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to refund the outstanding principal amount of the \$16,085,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2010 issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to finance and/or refinance the construction and equipping on approximately 38 acres located at 900 Cherry Ridge Boulevard, in the Town of Webster, County of Monroe, New York (the "Webster Campus") of: (1) an approximately 56,000 square-foot, three-story skilled nursing facility to house the Heritage's new nursing home with 72 beds of sub-acute/rehabilitation (12 beds) and long-term/skilled nursing (60 beds) care, together with ancillary and related facilities and improvements and (2) an approximately 400 square-foot structure to connect to the eastern service area of the existing assisted living facility (The Glen) to provide for the sharing of food service and "back-of-the-house" operations (collectively, the "Heritage Facility") and (B) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Heritage and KeyBank, National Association; (III) the CRIL project consisting of the refunding of the outstanding principal amount of the \$6,250,036.44 Tax-Exempt Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2014A (the "CRIL Series 2014A Bonds") issued by the Issuer for the benefit of the CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$13,940,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 55 two-bedroom independent living cottages for senior living, together with ancillary and related facilities and improvements, constituting approximately 107,000 square-feet (collectively, the "CRIL Facility"); (IV) the CRA project consisting of the refunding of the outstanding principal amount of the \$8,219,174.04 Tax-Exempt Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2014A (the "CRA Series 2014A Bonds") issued by the Issuer for the benefit of the CRA, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$9,455,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRA, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 45 one-bedroom and 26 two-bedroom independent rental apartments for senior living, together with ancillary and related facilities and improvements, constituting approximately 61,000 square-feet (collectively, the "CRA Facility"); (V) the CRG project consisting of the refunding of the outstanding principal amount of the \$12,717,513.91 Tax-Exempt Revenue Bonds (The Glen at Cherry Ridge, LLC Project), Series 2014A (the "CRG Series 2014A Bonds") issued by the Issuer for the benefit of the CRG, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$14,625,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of the

3

Original Master Indenture, the "Master Trust Indenture" or the "Master Indenture"), by and between the Obligated Group Representative and the Master Trustee; and

WHEREAS, as security for the Master Note No. 1, the Institution granted to the Issuer first, second and third mortgage liens on and first, second and third security interests in certain properties of the Institution pursuant to a certain Mortgage and Security Agreement (Acquisition Loan), Mortgage and Security Agreement (Project Loan) and Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Obligated Group Representative and the Institution to the Issuer (collectively, the "Mortgage"); which mortgage liens and security interests have been assigned by the Issuer to the Master Trustee pursuant to a certain Assignment of Mortgage and Security Agreement (Acquisition Loan), Assignment of Mortgage and Security Agreement (Project Loan) and Assignment of Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Issuer to the Master Trustee and acknowledged by the Institution (collectively, the "Assignment of Mortgage"); and

WHEREAS, in order to provide for the loaning of the proceeds of the Series 2019 Bonds from the Issuer to the Institution and the payment of the principal of and interest thereon by the Institution for the benefit of the Holders of the Series 2019 Bonds, the Issuer and the Institution deem it necessary to enter into this Loan Agreement.

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Issuer herein contained, any obligation it may incur for the payment of money shall not subject the Issuer to any pecuniary or other liability nor create a debt of the State of New York or of Monroe County, New York and neither the State of New York nor Monroe County, New York shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of the payments, revenues and receipts derived from or in connection with moneys received under this Loan Agreement):

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5



ARTICLE I  
DEFINITIONS AND REPRESENTATIONS

Section 1.1. Definitions. Terms not otherwise defined herein shall have the same meanings as used in the Indenture or in the Tax Compliance Agreement.

Section 1.2. Construction. In this Loan Agreement, unless the context otherwise requires:

(a) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Loan Agreement, refer to this Loan Agreement, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Loan Agreement.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Loan Agreement, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Loan Agreement, nor shall they affect its meaning, construction or effect.

Section 1.3. Representations and Warranties by Issuer. The Issuer makes the following representations and warranties:

(a) The Issuer is a not-for-profit local development corporation duly organized and existing under the laws of the State, and is authorized and empowered to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder. By proper action of its members, the Issuer has duly authorized the execution and delivery of this Loan Agreement.

(b) In order to finance a portion of the costs of the Project, the Issuer issued the Series 2019 Bonds in the aggregate original principal amount of \$108,825,000. The Series 2019 Bonds will mature, bear interest, be redeemable and have the other terms and provisions set forth in the Indenture and in the Series 2019 Bonds.

(c) The execution, delivery and performance of this Loan Agreement and each document to which the Issuer is a party and the consummation by the Issuer of transactions herein and therein contemplated, including, but not limited to, the issuance of the Series 2019 Bonds, have been duly authorized by all requisite action on the part of the Issuer and will not violate the certificate of incorporation or by-laws of the Issuer, or any indenture, agreement or other instrument to which the Issuer is a party or by which it or any of its property is subject or bound, or be in conflict or result in a breach of, or constitute (with due notice and/or lapse of

6

(c) Expenses for supervision by the officers or employees of the Institution and expenses for work done by such officers or employees in connection with the Project will be included as a Project Cost only to the extent that such Persons were specifically employed for such particular purpose, the expenses do not exceed the actual cost thereof and will be treated on the books of the Institution as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis.

(d) The assistance of the Issuer in the financing of a portion of the costs of the Project is reasonably necessary to induce the Institution to proceed with the Project.

(e) The total cost of the Project being funded with the Series 2019 Bonds is at least \$108,825,000, which represents only a portion of the total cost to the Institution.

(f) Any costs incurred with respect to that part of the Project paid from the proceeds of the sale of the Series 2019 Bonds shall be treated on the books of the Institution as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis.

(g) The property included in the Facility is either property of the character subject to the allowance for depreciation under Section 167 of the Code or land.

(h) No part of the proceeds of the Series 2019 Bonds will be used to finance inventory or for working capital.

(i) This Loan Agreement and the other Financing Documents to which the Institution is a party constitute the legal, valid and binding obligations of the Institution enforceable against the Institution in accordance with their respective terms.

(j) The Facility has been designed and the operation of the Facility is, and with respect to the 2019 Home Facility, upon completion, will be, in compliance with all applicable federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(k) There is no action or proceeding pending or to the best knowledge of the Institution threatened by or against the Institution by or before any court or administrative agency that might adversely affect the ability of the Institution to perform its obligations under this Loan Agreement and each other Financing Document to which the Institution shall be a party.

(l) The Institution shall operate the Facility or cause the Facility to be operated in accordance with this Loan Agreement.

(m) There is no existing violation against the Facility filed by any court or administrative agency that may prohibit the ability of the Institution to use or operate the Facility for its intended purposes or for which the Institution has not agreed or made arrangements to have removed and satisfied of record.

8

time) a default under such indenture, agreement or other instrument or result in the imposition of any lien, charge or encumbrance of any nature whatsoever other than Permitted Encumbrances.

(d) To the best of the Issuer's knowledge, there is no action or proceeding pending, of which the Issuer has notice, by or before any court or administrative agency that might adversely affect the ability of the Issuer to perform its obligations under this Loan Agreement and each other Financing Document to which the Issuer is a party, and all authorizations, consents and approvals of instrumental bodies or agencies required to be given by the Issuer as of the Closing Date in connection with the execution and delivery of this Loan Agreement and each other document to which the Issuer is a party or in connection with the performance of the obligations of the Issuer hereunder and under each of the Financing Documents to which the Issuer is a party, including, but not limited to, the issuance of the Series 2019 Bonds, have been obtained and given.

Section 1.4. Findings by Issuer. The Issuer, based upon the representations and warranties of the Institution contained in this Loan Agreement and the information contained in the application and other materials heretofore submitted by or on behalf of the Institution to the Issuer, hereby finds and determines that the financing of a portion of the costs of the Project by the Issuer and the loaning of the proceeds of the Series 2019 Bonds to the Institution is reasonably necessary to induce the Institution to proceed with the Project.

Section 1.5. Representations and Warranties by Institution. Each of the Home, the Heritage, the Sole Member, the CRIL, the CRA, the CRG and the CO makes the following representations and warranties, as applicable:

(a) Each of (i) the Home, the Heritage, the Sole Member and the CO is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of New York, is not in violation of any provision of its certificate of incorporation or by-laws, has the corporate power and authority to own its property and assets, to carry on its business as now being conducted by it and to execute, deliver and perform this Loan Agreement and (ii) the CRIL, the CRA, the CRG is a limited liability company, duly organized, validly existing and in good standing under the laws of the State, acting on behalf of the Sole Member, and is not in violation of any provision of its articles of organization or operating agreement, has the corporate power and authority to own its property and assets, to carry on its business as now being conducted by it and to execute, deliver and perform this Loan Agreement.

(b) The execution, delivery and performance of this Loan Agreement and the consummation of the transactions herein contemplated have been duly authorized by all requisite corporate action on the part of the Institution and will not violate any provision of law, any order of any court or governmental agency, or the certificate of incorporation, articles of organization, operating agreement or by-laws, as applicable, of the Institution, or any indenture, agreement or other instrument to which the Institution is a party or by which it or any of its property is subject or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the imposition of any lien, charge or encumbrance of any nature whatsoever other than Permitted Encumbrances.

7

(n) All consents, approvals or authorizations, if any, of any governmental authority required on the part of the Institution in connection with the execution and delivery of this Loan Agreement and each other document to which the Institution shall be a party relating to the Project have been duly obtained.

(o) Each of the Home, the Heritage, the Sole Member and CO is in compliance with the provisions of the Code and any applicable regulations thereunder necessary to maintain its exempt status under Section 501(a) of the Code.

(p) Each of the Home, the Heritage, the Sole Member and CO is exempt from Federal income taxes under Section 501(a) of the Code.

(q) Each of the Home, the Heritage, the Sole Member and CO is an organization described in Section 501(c)(3) of the Code and has received the IRS Determination Letter (as hereinafter defined). The facts and circumstances which form the basis of the applicable ruling letter issued by the Internal Revenue Service to each of the Home, the Heritage, the Sole Member and CO, confirming that such entity is an organization described in Section 501(c)(3) of the Code and exempt from Federal income taxes under 501(a) of Code, or corresponding provisions of Federal income tax laws from time to time in effect (each such letter, an "IRS Determination Letter"), continue substantially to exist as represented to the Internal Revenue Service. Each IRS Determination Letter has not been modified, limited or revoked, and each of the Home, the Heritage, the Sole Member and CO is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of their IRS Determination Letter.

(r) The Institution is not a "private foundation", as defined in Section 509 of the Code.

(s) None of the Sole Member, CRIL, CRA or CRG has taken any action, or failed to take any action, the result of which would cause CRIL, CRA or CRG to no longer be considered a disregarded entity for federal income tax purposes.

ARTICLE II  
THE PROJECT

Section 2.1. The Project. (a) As promptly as practicable after receipt of the proceeds of the sale of the Series 2019 Bonds and out of said proceeds of sale, the Issuer will loan the proceeds of the Series 2019 Bonds to the Institution and the Institution shall, subject to the provisions of Section 2.2 hereof, use such proceeds, together with other available funds, to undertake the Project, and, as applicable, complete the Project substantially in accordance with the plans and specifications. The costs of the Project shall be paid from the Project Fund established under the Indenture or as otherwise provided in Section 2.2 hereof.

(b) The Institution covenants that it will obtain or cause to be obtained all necessary approvals from any and all governmental agencies with respect to the Project, all of which will be done in compliance with all federal, State and local laws, ordinances and regulations applicable thereto and with the conditions and requirements of all policies of insurance with respect to the Facility required to be maintained under this Loan Agreement. Upon completion of the Project, the Institution will promptly obtain or cause to be obtained all required occupancy

9

and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by this Loan Agreement and shall furnish copies of same to the Issuer and the Trustee immediately upon receipt thereof.

(c) The Institution shall take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts diligently in accordance with the terms of said contracts, including, without limitation, the correcting of any defective work, with all expenses incurred by the Institution or the Issuer in connection with the performance of their obligations under this Section to be considered a Project Cost. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery, if recovered prior to the date of completion of the Project, shall be deposited into the Project Fund and made available for payment of Project Costs, or if recovered after such date of completion, be deposited in the Bond Fund.

Section 2.2. Completion by Institution. The Institution unconditionally covenants and agrees that, to the extent Series 2019 Bond proceeds are insufficient to undertake the Project, it will complete the Project, or cause the Project to be completed, by the Completion Date, and that such completion will be effected in a workmanlike manner, using high-grade materials, free of defects in materials or workmanship (including latent defects), as applicable, and in accordance with this Loan Agreement and the Indenture. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Institution shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in said Project Fund and shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Series 2019 Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose), nor shall the Institution be entitled to any diminution of the Debt Service Payments payable or other payments to be made under this Loan Agreement.

Upon completion of the 2019 Home Facility, the Institution shall deliver to the Trustee a certificate of an Authorized Representative of the Institution substantially in the form set forth in Schedule A attached hereto, together with all attachments required therein.

Section 2.3. Series 2019 Bonds. In order to provide funds for payment of a portion of the Project Costs, together with other payments and incidental expenses in connection therewith, the Issuer agrees that it will issue, sell and cause to be delivered to the Trustee the Series 2019 Bonds. The Issuer has, in the Indenture, directed the Trustee to deposit the proceeds from the sale of said Series 2019 Bonds in the Project Fund established with the Trustee. THE ISSUER MAKES NO REPRESENTATION THAT THE MONEYS ON DEPOSIT IN THE PROJECT FUND ARE OR WILL BE SUFFICIENT TO COMPLETE THE PROJECT.

Section 2.4. Application of Moneys in Project Fund.

(a) Moneys in the Project Fund shall, upon submission of a written requisition certified by an Authorized Representative of the Institution and otherwise in accordance compliance with the requirements of the Indenture and, as applicable, the Building Loan

10

(xi) reimbursement to the Institution for any of the above enumerated costs and expenses paid and incurred by it, to the extent permitted under the Tax Compliance Agreement.

(b) Except for the amount retained for the payment of incurred but unpaid items of the Cost of the Facility, all moneys in the Project Fund shall upon completion of the Project be deposited in the Bond Fund and used as provided in the Indenture.

(c) Notwithstanding anything contained in this Section to the contrary, any moneys in the Project Fund which are not required for immediate use or disbursement may be invested or reinvested at the direction of the Institution as provided in the Indenture. Neither the Issuer nor its members, officers or employees shall be liable for any depreciation in the value of any investments made pursuant to this Section or for any loss arising from any such investment.

ARTICLE III  
ISSUANCE OF SERIES 2019 BONDS; PAYMENT PROVISIONS AND RELATED PROVISIONS

Section 3.1. Issuance of Series 2019 Bonds. On the Closing Date, or on such other date as the Issuer, the Trustee, and the Institution may mutually agree upon, the Trustee shall deposit the proceeds of the Series 2019 Bonds in the Project Fund (i) upon receipt of the Series 2019 Bonds and (ii) subject to the terms and conditions of the Indenture. Additional Bonds may be issued and purchased from time to time, as set forth in the Indenture, on a pari passu basis with the Series 2019 Bonds. Each series of Additional Bonds shall be issued only for the purpose provided in the Supplemental Indenture executed in connection therewith.

The Issuer hereby agrees to loan the proceeds of the Series 2019 Bonds to the Institution and the Institution hereby agrees to pay to the Trustee the principal of and interest on the Series 2019 Bonds and all other amounts due hereunder in accordance with the terms of this Loan Agreement, the Indenture and the Series 2019 Bonds.

Section 3.2. Payment Provisions; Pledge of Loan Agreement.

(a) Each of the Home, the Heritage, the Sole Member, the CRIL, the CRA, the CRG and the CO jointly and severally covenants to make Debt Service Payments for and in respect of the Series 2019 Bonds pursuant to this Loan Agreement, which the Issuer agrees shall be paid by the Institution directly to the Trustee on or prior to each Bond Payment Date for deposit in the Bond Fund in an amount equal to the sum of (i) with respect to interest due and payable on the Series 2019 Bonds, an amount equal to the interest becoming due and payable on the Series 2019 Bonds on such Interest Payment Date (less any amount available in the Project Fund for transfer to the Bond Fund), (ii) the principal amount of the Series 2019 Bonds then Outstanding which will become due on such Bond Payment Date (whether at maturity or by redemption or acceleration as provided in the Indenture), and (iii) the principal of and redemption premium, if any, including sinking fund installments, on the Series 2019 Bonds to be redeemed which will become due on such Bond Payment Date together with accrued interest to the date of redemption. Each of the Home, the Heritage, the Sole Member, the CRIL, the CRA, the CRG and the CO further jointly and severally agrees to pay such additional amounts as set

12

Agreement, be applied to pay the Projects Costs including the following items of costs and expenses incurred in connection with the Project and for no other purpose:

(i) the cost of preparing the plans and specifications for the 2019 Home Facility (including any preliminary study or planning of the 2019 Home Facility or any aspect thereof);

(ii) all costs of acquiring, constructing and equipping the Facility (including architectural, engineering and supervisory services with respect thereto);

(iii) all fees, taxes, charges and other expenses for filing of any financing statements and any security interest contemplated by the Indenture, the Master Trust Indenture, each Mortgage, each Assignment of Mortgage and the Pledge and Assignment;

(iv) any expenses of the Institution in enforcing any remedy against any contractor or subcontractor with respect to the 2019 Home Facility, or in defending in good faith any claims by any contractor or subcontractor with respect to the 2019 Home Facility against the Institution or the Issuer;

(v) the cost of premiums for all insurance maintained pursuant to this Loan Agreement and the Master Trust Indenture;

(vi) capitalized interest payable prior to the Completion Date on the Series 2019 Bonds with respect to the 2019 Home Facility;

(vii) the refunding of the Prior Bonds;

(viii) all legal, accounting, financial advisory, title insurance, investment banking, rating agency, blue sky, legal investment and any other fees, discounts, costs and expenses incurred by the Issuer, the Institution and the Trustee in connection with the preparation, printing, reproduction, authorization, issuance, execution, sale and distribution of the Series 2019 Bonds, the Indenture, this Loan Agreement, each Mortgage, each Assignment of Mortgage and all other documents in connection herewith, with the undertaking of the Project and with any other transaction contemplated by or directly related to this Loan Agreement or the Indenture, including, but not limited to, the fees and expenses related to the defeasance and/or redemption of the Prior Bonds;

(ix) the initial or acceptance fee and the first years' administrative fee and costs and expenses, including reasonable attorneys' fees, of the Trustee under the Indenture, and the initial or acceptance fee and the first years' administrative fee and costs and expenses, including reasonable attorneys' fees, of the Master Trustee under the Master Trust Indenture;

(x) the administrative fees of the Issuer, if any; and

11

forth in the Indenture with respect to interest on the Series 2019 Bonds in the event of an Event of Default.

(b) Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2019 Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Institution shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund and such payment shall constitute Debt Service Payments under this Section 3.2.

(c) In the event the Institution should fail to make or cause to be made any of the payments required under the foregoing provisions of this Section, the item or payment not so paid shall continue as an obligation of the Institution until said amount not so paid shall have been fully paid.

(d) The Institution shall have the option to prepay its Debt Service Payment obligations with respect to the Series 2019 Bonds, in whole or in part at the times and in the manner provided in Article VIII hereof as and to the extent provided in the Indenture for redemption or purchase in lieu of redemption of the Series 2019 Bonds.

(e) In addition to the Debt Service Payments required pursuant to Sections 3.2(a) and (b) hereof, throughout the term hereof, the Institution shall pay to the Issuer within ten (10) days of receipt of an invoice setting forth the nature and payee of each such expense and demand for payment therefor, an amount equal to the sum of the reasonable expenses of the Issuer and the members thereof incurred:

(i) by reason of the Issuer's issuance of the Series 2019 Bonds, or

(ii) in connection with the carrying out of the Issuer's duties and obligations under the Financing Documents to which it is a party, the payment of which is not otherwise provided for under this Loan Agreement. The foregoing shall not be deemed to include any annual or continuing administrative or management fee beyond any initial administrative fee or fee for services rendered by the Issuer.

In addition, the Institution shall pay, as an additional payment, within fifteen (15) days after receipt of an invoice setting forth the nature and payee of each such expense and demand for payment therefor, the expenses payable by the Issuer to the Trustee pursuant to and under the Indenture.

(f) Pursuant to the Indenture and the Pledge and Assignment, the Issuer has pledged and assigned to the Trustee, as security for the Series 2019 Bonds, all of the Issuer's right, title and interest in this Loan Agreement (except for the Issuer's Reserved Rights), including all Debt Service Payments hereunder, and in furtherance of said pledge the Issuer has unconditionally assigned such Debt Service Payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture. The Institution hereby consents to the above-described lien and security interest, and pledge and assignment of this Loan Agreement.

13

(g) The Institution covenants and agrees that it will comply with the provisions of the Indenture with respect to the Institution and that the Trustee shall have the power, authority, rights and protections provided in the Indenture. The Institution further covenants to use its best efforts to cause there to be obtained for the Issuer any documents or opinions required of the Issuer under the Indenture.

(h) If the Master Note No. 1 is outstanding, payments may be made thereunder for any payments hereunder required to pay the principal of redemption premium, if any, and interest on the Series 2019 Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), payments shall be made on behalf of the Institution by the Trustee with funds received by the Trustee from the Institution with respect to the Master Note No. 1 pursuant to the Indenture, and any amounts paid under the Master Note No. 1 for such purposes shall be credited against the payments due from the Institution hereunder with respect to such payments on the Series 2019 Bonds to the extent that funds are paid under the Master Note No. 1 and applied by the Trustee to such payments on the Series 2019 Bonds.

(i) Notwithstanding anything contained herein to the contrary, the Institution's payment obligations under this Section shall be deemed satisfied to the extent the Trustee receives corresponding payments from the Institution under and pursuant to the Master Trust Indenture and/or the Master Note No. 1.

Section 3.3. Obligation of Institution Unconditional. The obligations of the Institution to pay Debt Service Payments and all other payments provided for in this Loan Agreement and to maintain the Facility in accordance with this Loan Agreement constitute a general obligation of the Institution and shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee or the Holder of any Series 2019 Bond and the obligation of the Institution shall arise whether or not the Project has been completed as provided in this Loan Agreement. The Institution will not suspend or discontinue any such payment or terminate this Loan Agreement (other than such termination as is provided for hereunder) for any cause whatsoever, and the Institution waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender this Loan Agreement or any obligation of the Institution under this Loan Agreement or the Facility or any part thereof except as provided in this Loan Agreement or to any abatement, suspension, deferment, diminution or reduction in the Debt Service Payments or other payments hereunder.

#### ARTICLE IV MAINTENANCE, TAXES AND INSURANCE

Section 4.1. Maintenance, Alterations and Improvements. (a) During the term of this Loan Agreement, the Institution will keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by this Loan Agreement, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) as provided in the Master Trust Indenture.

14

None of the foregoing shall prevent the Institution from contesting in good faith, the validity, existence or applicability of any of the foregoing if (i) such contest shall not result in the Facility or any part thereof or interest therein being in any danger of being sold, forfeited or lost, and (ii) such contest shall not result in the Institution, the Issuer or the Trustee being in any danger of any civil or any criminal liability other than normal accrual of interest, for failure to comply therewith.

#### Section 4.4. Insurance.

(a) At all times throughout the term of this Loan Agreement including, without limitation, during any period of construction or renovation of the Facility, the Institution shall maintain insurance with insurance companies licensed and/or authorized to do business in the State (or authorized in the State under the Federal Liability Risk Retention Act), against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Institution. In addition to this general requirement, such insurance shall include the insurance coverage described in paragraphs (i) through (iv) below:

(i) [Reserved];

(ii) General Liability insurance (including contractual liability coverage, together with any umbrella liability insurance) naming the Institution as the primary insured, and the Issuer and the Trustee as additional insureds, in accordance with customary insurance practices for similar operations with respect to the Facility and the business thereby conducted in a minimum amount of **\$5,000,000** (or such lesser amount agreed upon by the Issuer and the Trustee upon written request by the Institution) per occurrence aggregate, which insurance (A) will also provide for Contractual Liability insurance consistent with that which is commercially available under General Liability policies at commercially reasonable rates and which is customarily maintained by other enterprises of like size and type as that of the Institution, and (B) may be effected under overall blanket or excess coverage policies of the Institution; *provided, however*, that, at least \$500,000 is effected by a General Liability insurance policy;

(iii) Workers' compensation insurance, disability benefits insurance (or qualified self-insured alternatives to such coverages) and such other forms of insurance (including self-insurance to the extent permitted by the Master Trust Indenture) which the Institution is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of the Institution, or any contractor or subcontractor performing work with respect to the Facility; the Institution shall require that all said contractors and subcontractors shall maintain worker's compensation insurance with respect to their employees as required by law;

(iv) Automobile liability insurance (together with any umbrella liability insurance), to the extent not covered by the general liability insurance, in the amount of **\$2,000,000** (or such lesser amount agreed upon by the Issuer upon written request by the Institution) covering the Institution for all owned, non-owned and/or hired automobiles and/or vehicles used in connection with the Facility.

16

All replacements, renewals and repairs shall be made and installed in compliance with the requirements of all governmental bodies. The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Institution hereby agrees to assume full responsibility therefor.

(b) The Institution shall have the privilege of making such alterations of or additions to the Facility or any part thereof from time to time as it, in its discretion, may determine to be desirable for its uses and purposes as provided in the Master Trust Indenture; *provided*, that (i) such additions or alterations are effected with due diligence, in a good and workmanlike manner and in compliance with all applicable Legal Requirements (as defined herein), and (ii) such additions or alterations are promptly and fully paid for by the Institution in accordance with the terms of the applicable contract(s) therefor, and in order that the Facility shall at all times be free of any mortgage, lien, charge, encumbrance, security interest or claim other than Permitted Encumbrances.

(c) The Institution shall have the right to install or permit to be installed at the Facility machinery, equipment and other personal property not constituting part of the Equipment (the "Institution's Property") without subjecting such property to this Loan Agreement. The Issuer shall not be responsible for any loss of or damage to the Institution's Property. The Institution shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Institution's Property.

Section 4.2. Removal of Property of the Facility. (a) The Institution shall have the right from time to time of removing from the Facility any fixture constituting part of the Facility or any machinery, equipment, furnishings or other property constituting part of the Equipment (the "Existing Facility Property") or any other Property in accordance with the Master Trust Indenture.

(b) The removal from the Facility of any Existing Facility Property pursuant to the provisions of Section 4.2(a) hereof shall not entitle the Institution to any abatement or reduction in the amounts payable by the Institution under this Loan Agreement.

Section 4.3. Taxes, Assessments and Charges. The Institution shall pay, when the same shall become due, all taxes and assessments, general and specific, if any, levied and assessed upon or against the Facility, any estate or interest of the Institution in the Facility, or the payments hereunder during the term of this Loan Agreement and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are herein called "Impositions". The Institution may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

15

(b) All insurance required by Section 4.4(a) above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State, but, in no event, rated lower than B+ by AM Best and with an AM Best Financial Size Category no less than VII, unless otherwise agreed in writing by the Issuer.

(c) Each of the policies evidencing the insurance required above to be obtained shall (or in the case of (v) below, the Institution shall):

(i) designate (except in the case of automobile liability, workers' compensation and disability benefits insurance) the Trustee and the Issuer as additional insureds;

(ii) provide that there shall be no recourse against the Issuer or the Trustee for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments;

(iii) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Issuer or the Trustee to the extent that such other insurance provides the Issuer or the Trustee, as the case may be, with contingent and/or excess liability insurance with respect to their respective interests in the Facility;

(iv) provide that if the insurers cancel such insurance for any reason whatsoever, including the insured's failure to pay any accrued premium, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Issuer or the Trustee until at least thirty (30) days (or ten (10) days due to nonpayment of premium) after receipt by the Issuer and the Trustee, respectively, of written notice of such cancellation, lapse, expiration, reduction or change;

(v) provide the Issuer and the Trustee with a copy of any notice of cancellation, non-renewal or material reduction in coverage received from the insurer for any policy affording the coverage required herein within five (5) days of Institution's receipt of same; *provided*, further that the Institution agrees to provide the Issuer and the Trustee with thirty (30) days advance written notice of cancellation, non-renewal or material reduction in coverage initiated by the Institution with respect to any of the required insurance coverages (for the purpose of this provision, material reduction in coverage shall mean any change or reduction in the scope of insurance coverage that adversely affects the protection that would otherwise be available to the Issuer or the Trustee); and

(vi) except with respect to worker's compensation insurance and disability benefits insurance, waive any right of subrogation of the insurers thereunder against any Person insured under such policy, and waive any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Person insured under such policy.

17

(d) The Net Proceeds of any insurance received with respect to any loss or damage to the property of the Facility shall be applied in accordance with Section 5.1 hereof and in accordance with the Master Trust Indenture.

(e) The Institution shall deliver or cause to be delivered to the Issuer and the Trustee, in a form reasonably acceptable to the Issuer, the following documents evidencing compliance with the insurance requirements of this Section 4.4 (upon which the Trustee and the Issuer may conclusively rely to establish compliance with this Section): (i) on or prior to the Closing Date: certificate(s) of insurance or self-insurance reflecting the insurance coverages in accordance with the requirements of this Section 4.4, and (ii) upon request of the Issuer or the Trustee, duplicate copies of insurance policies and/or binders. At least seven (7) Business Days prior to the expiration of any such policy (or within a reasonable time thereafter), the Institution shall, upon receipt, furnish the Issuer and the Trustee with evidence that such policy has been renewed or replaced or is no longer required by this Loan Agreement.

(f) The Institution shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Issuer or the Trustee (at the specific written direction of a majority of the Bondholders) to collect from insurers for any loss covered by any insurance required to be obtained by this Section 4.4. The Institution shall not do any act, or suffer or permit any act to be done, whereby any insurance required by this Section 4.4 would or might be suspended or impaired.

(g) THE ISSUER DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OR COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE BUSINESS OR INTEREST OF THE INSTITUTION.

Section 4.5. Advances by Issuer or Bondholders. In the event the Institution fails to make any payment or perform or observe any obligation required of it under this Loan Agreement, the Issuer or any Bondholder, after first notifying the Institution of any such failure on its part, may (but shall not be obligated to), and without waiver of any of the rights of the Issuer or such Bondholder under this Loan Agreement, the Indenture or any other Financing Documents, make such payment or otherwise cure any failure by the Institution to perform and observe its other obligations hereunder. All amounts so advanced therefor by the Issuer or such Bondholder shall become an additional obligation of the Institution to the Issuer or such Bondholder, which amounts, together with interest thereon at the rate of the Trustee's "prime rate" plus two percent (2%) per annum from the date advanced, the Institution will pay upon demand therefor by the Issuer or such Bondholder. Any remedy herein vested in the Issuer, the Trustee or Bondholders for the collection of the Debt Service Payments or other amounts due hereunder shall also be available to the Issuer or such Bondholder for the collection of all such amounts so advanced.

Section 4.6. Compliance with Law. The Institution agrees that it will, throughout the term of this Loan Agreement and at its sole cost and expense, promptly observe and comply in all material respects with all federal, State and local statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations and authorizations, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon

18

(i) at its own cost and expense (except to the extent paid from the Net Proceeds), promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Institution shall not, by reason of payment of any such excess costs, be entitled to any reimbursement from the Issuer, the Trustee or any Bondholder, nor shall the Debt Service Payments or other amounts payable by the Institution under this Loan Agreement be abated, postponed or reduced, or

(ii) if, to the extent and upon the conditions permitted to do so under Section 8.1 hereof and under the Indenture, exercise its option to make advance Debt Service Payments to redeem the Series 2019 Bonds in whole.

Not later than ninety (90) days after the occurrence of a Loss Event, the Institution shall advise the Issuer and the Trustee in writing of the action to be taken by the Institution under this Section 5.1(b), a failure to so timely notify being deemed an election in favor of clause (i) above to be exercised in accordance with the provisions of clause (i) above.

(c) All such rebuilding, replacements, repairs or restorations, unless intended to be an additional building or Institution's Property above and beyond such rebuilding, replacement, repair or restoration as so designated in writing by the Institution and financed out of moneys other than any Net Proceeds from such Loss Event, shall

(i) not change the nature of the Facility, and

(ii) be effected with due diligence in a good and workmanlike manner, in compliance with all applicable Legal Requirements and be promptly and fully paid for by the Institution in accordance with the terms of the applicable contract(s) therefore.

(d) [Reserved].

(e) [Reserved].

(f) Notwithstanding the foregoing, if all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Institution as contemplated hereby, the Institution shall exercise its option to terminate this Loan Agreement pursuant to Section 8.1 hereof, and the Institution shall thereupon pay to the Trustee for deposit in the Bond Fund an amount which, when added to any amounts then in the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Series 2019 Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date and redemption premium, if any), and to pay the expenses of redemption, the fees and expenses of the Issuer, the Bond Registrar, the Trustee and the Paying Agent, together with all other amounts due under the Indenture and under this Loan Agreement, and such amount shall be applied, together with such other available moneys in such Bond Fund, if applicable, to such redemption or retirement of the Series 2019 Bonds on said redemption or maturity date.

20

or applicable to the Institution, any occupant, user or operator of the Facility or any portion thereof (including without limitation those relating to zoning, land use, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) (the "Legal Requirements"), and will observe and comply in all material respects with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including, without limitation, zoning variances, special exception and non-conforming uses), privileges, franchises and concessions. The Institution shall indemnify and hold harmless the Indemnified Parties (as defined in Section 6.2 hereof) from and against all loss, cost, liability and expense (a) in any manner arising out of or related to any violation of or failure to comply with any Legal Requirement or (b) imposed upon the Institution or any of the Indemnified Parties by any Legal Requirement; in case any action or proceedings is brought against any of the Indemnified Parties in respect to any Legal Requirement, the Institution shall, upon notice from any of the Indemnified Parties, defend such action or proceeding by counsel reasonably satisfactory to the Indemnified Party.

The Institution may contest in good faith the validity, existence or applicability of any of the foregoing if such contest shall not result in the Institution, the Issuer or the Trustee being in any danger of any civil or any criminal liability other than normal accrual of interest, for failure to comply therewith.

## ARTICLE V DAMAGE, DESTRUCTION AND CONDEMNATION

### Section 5.1. Damage, Destruction and Condemnation.

(a) In the event that at any time during the term of this Loan Agreement, the whole or part of the Facility shall be damaged or destroyed, or the whole or any part of the Facility shall be taken or condemned by a competent authority for any public use or purpose, or by agreement between the Issuer and those authorized to exercise such right, or if the temporary use of the Facility or any part thereof shall be so taken by condemnation or agreement (a "Loss Event"):

(i) the Issuer shall have no obligation to rebuild, replace, repair or restore the Facility,

(ii) there shall be no abatement, postponement or reduction in the Debt Service Payments or other amounts payable by the Institution under this Loan Agreement, and

(iii) the Institution will promptly give written notice of such Loss Event to the Issuer and the Trustee, generally describing the nature and extent thereof.

(b) Upon the occurrence of a Loss Event, any Net Proceeds derived therefrom shall be paid in accordance with the Master Trust Indenture, and the Institution, in accordance with the Master Trust Indenture, shall either:

(g) Subject to the terms of the Master Trust Indenture, the Institution shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to improvements, machinery, equipment or other property installed on or about the Facility but which, at the time of such damage or taking, is not part of the Facility and is owned by the Institution.

## ARTICLE VI PARTICULAR COVENANTS

Section 6.1. Restrictions on Institution. Each of the Home, the Heritage, the Sole Member, the CRIL, the CRA, the CRG and the CO covenants that it will maintain its corporate existence, will (with respect to each of the Home, the Heritage, the Sole Member and the CO) continue to operate as a not-for-profit organization, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the Institution, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default shall have occurred and be continuing and prior written notice shall have been given by the Institution to the Issuer and the Trustee, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of Bond Counsel adversely affect the exemption from federal income tax of the interest paid or payable on the Series 2019 Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, and (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution hereunder, and furnishes to the Issuer a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions hereof and shall meet the requirements of the Act and such other certificates and documents as the Issuer and the Trustee may reasonably request. Furthermore, such sale, transfer, consolidation, merger, acquisition or other disposition shall occur only if permitted under the Master Trust Indenture.

Section 6.2. Indemnity. (a) Each of the Home, the Heritage, the Sole Member, the CRIL, the CRA, the CRG and the CO shall at all times protect and hold the Issuer, the Trustee, the Bond Registrar and the Paying Agent, and any of their respective directors, members, officers, employees, servants or agents (excluding for this purpose the Institution, which is not obligated hereby to indemnify its own employees or affiliate individuals) or any of such Persons and persons under the control or supervision of any of such Persons (collectively, the "Indemnified Parties") harmless of, from and against any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses (collectively,

21

"Claims") of any kind for losses, damage, injury and liability (collectively, "Liability") of every kind and nature and however caused (except, with respect to any Indemnified Party, Liability arising from the gross negligence or willful misconduct of such Indemnified Party), arising during the period commencing from the date the Issuer adopted the inducement resolution for the Project, and continuing throughout the term of this Loan Agreement and for the relevant statute of limitations thereafter for any Claim arising during such term (subject to Section 6.2(e) hereof), upon or about the Facility or resulting from, arising out of, or in any way connected with:

(i) the financing of the Project and the marketing, issuance, sale and remarketing of the Series 2019 Bonds for such purpose,

(ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility, or any defects (whether latent or patent) in the Facility or any of the work done on or about the Facility,

(iii) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion of any thereof or the payment of any costs in connection with the Facility,

(iv) the execution and delivery by the Indemnified Party, the Institution or any other Person of, or performance by the Indemnified Party, the Institution or any other Person, as the case may be, of, any of their respective obligations under this Loan Agreement, the Indenture, the Master Note No. 1, each Mortgage, each Assignment of Mortgage, the Master Trust Indenture or any other Financing Document, or other document or instrument delivered in connection herewith or therewith or the enforcement of any of the terms or provisions hereof or thereof or the transactions contemplated hereby or thereby,

(v) any injury to any Person or the personal property of any Person in or on the premises of the Facility other than those caused by such Indemnified Party,

(vi) any imposition arising from, burden imposed by, violation of, or failure to comply with any Legal Requirement, including, but not limited to, failure to comply with the requirements of any applicable zoning resolution and the SEQOR Act and their respective related regulations,

(vii) any damage or injury to the person or property of (A) the Institution, or (B) any other Person or their respective officers, directors, officials, partners, members, employees, attorneys, agents or representatives, or persons under the control or supervision of the Institution or (C) any other Person who may be in or about the premises of the Facility other than those caused by such Indemnified Party,

(viii) the presence, disposal or release, of any Hazardous Materials (as hereinafter defined) that are on or from the Facility, other than those caused by such Indemnified Party; any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; any lawsuit brought or threatened, settlement reached, or government order relating to such

22

of the Institution or any occupant or user of the Facility, a release of Hazardous Materials onto the Facility or onto any other property.

(iii) The Institution shall comply with and shall use its best efforts to ensure compliance by all occupants and users of the Facility, with all applicable Legal Requirements, whenever and by whomever triggered, and shall obtain and comply with, and shall use its best efforts to ensure that all occupants and users of the Facility obtain and comply with, any and all approvals, registrations or permits required thereunder.

(iv) The Institution shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal and other actions necessary to clean up and remove or abate, as applicable, all Hazardous Materials, on, from, or affecting the Facility in accordance with all applicable Legal Requirements.

For purposes of this Section 6.2, the term "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 5101, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other applicable law, ordinance, rule, or regulation.

(d) The indemnifications and protections set forth in this Section 6.2 shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

(e) Anything to the contrary in this Loan Agreement notwithstanding, the covenants of the Institution contained in this Section 6.2 shall be in addition to any and all other obligations and liabilities the Institution may have to any Indemnified Party in any other agreement or at common law, and shall remain in full force and effect after the termination of this Loan Agreement until the latter of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions herein specified.

**Section 6.3. Compensation and Expenses of Trustee, Bond Registrar, Paying Agent and Issuer.** The Institution shall, to the extent not paid out of the proceeds of the Series 2019 Bonds as financing expenses, pay the following annual fees, charges and expenses and other amounts: (i) the initial and mutually agreed to fees of the Trustee for the Ordinary Services of the Trustee rendered and its Ordinary Expenses incurred under the Indenture, including reasonable fees and out-of-pocket expenses as Bond Registrar (including reasonable counsel fees and out-of-pocket expenses) and in connection with preparation of new Series 2019 Bonds upon exchanges or transfers or making any investments in accordance with the Indenture, (ii) the reasonable fees and charges of the Trustee and any Paying Agent on the Series 2019 Bonds for acting as Paying Agent as provided in the Indenture, including the reasonable fees and out-of-pocket expenses of its counsel, (iii) the reasonable fees and charges of the Trustee for

24

Hazardous Materials, and/or any violation of Legal Requirements, including demands of government authorities, or any policies or requirements of the Issuer or the Trustee (as directed by the Majority Bondholders), which are based upon, or in any way related to, such Hazardous Materials including, without limitation, reasonable attorneys' and consultants' fees, investigation and laboratory fees, court costs, and litigation expenses, or

(ix) any Claim commenced against an Indemnified Party, or other action or proceeding taken by an Indemnified Party, in any case with respect to any of the matters set forth in subparagraphs (i) through (viii) of this Section 6.2(a),

Such indemnification set forth above shall be binding upon the Institution for any and all Claims set forth herein and shall survive the termination of this Loan Agreement.

(b) Except as provided in Section 6.2(a) hereof, the Institution releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable to the Institution for, any Claims or Liability arising from or incurred as a result of action taken or not taken by such Indemnified Party with respect to any of the matters set forth in Section 6.2(a) hereof, including any Claims or Liability at the direction of the Institution or any other obligor, if any, under any of the Financing Documents with respect to any of such matters referred to above. An Indemnified Party shall promptly notify the Institution in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Institution pursuant to this Section 6.2; such notice shall be given in sufficient time to allow the Institution to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a default hereunder nor in any way impair the obligations of the Institution under this Section 6.2; *except, that*, if (i) the Indemnified Party shall have had knowledge or notice of such claim or action but shall not have timely notified the Institution of any such claim or action, (ii) the Institution shall not have had knowledge or notice of such claim or action, and (iii) the Institution's ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the Indemnified Party, then the Institution's obligation to so defend and indemnify such Indemnified Party shall be qualified to the extent (and only to the extent) of such material impairment.

(c) (i) In addition to and without limitation of any other representations, warranties and covenants made by the Institution under this Loan Agreement, the Institution further represents, warrants and covenants that the Institution has not used Hazardous Materials on, from, or affecting the Facility in any manner that violates any applicable Legal Requirements governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and that, to the best of the Institution's knowledge, no prior owner of the Facility or any tenant, subtenant, prior tenant or prior subtenant have used Hazardous Materials on, from, or affecting the Facility in any manner which violates any applicable Legal Requirements.

(ii) Without limiting the foregoing, the Institution shall not cause or permit the Facility or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Legal Requirements, nor shall the Institution cause or permit, as a result of any intentional or unintentional act or omission on the part

23

Extraordinary Services rendered by it and Extraordinary Expenses incurred by it under the Indenture, including reasonable counsel fees, and (iv) the fees, costs and expenses (including legal, accounting and other administrative out-of-pocket expenses) of the Issuer. The Institution shall further pay the reasonable fees, out-of-pocket costs and disbursements incurred by Bond Counsel and local Counsel in performing services for the Issuer in connection with this Loan Agreement or the Indenture or any other Financing Document.

**Section 6.4. Reserved.**

**Section 6.5. Institution's Covenant as to Tax Exemption.** (a) The Institution covenants with the Issuer, the Trustee and with each of the Holders of the Series 2019 Bonds, that it will comply with all of the terms, provisions and conditions set forth in the Tax Compliance Agreement, including, without limitation, the making of any payments and filings required thereunder.

(b) The representations, warranties, covenants and statements of expectation of the Institution set forth in the Tax Compliance Agreement are by this reference incorporated in this Loan Agreement as though fully set forth herein.

**Section 6.6. Notice by the Institution.** The Institution shall promptly notify the Issuer and the Trustee of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Financing Document of which it has knowledge. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Institution and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Institution shall state this fact on the notice.

**Section 6.7. Discharge of Liens.** (a) If any lien, encumbrance or charge is filed or asserted, or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being herein collectively called "Liens"), whether or not valid, is made against the Facility, the Institution or the Trustee or against any of the Debt Service Payments or other amounts payable under this Loan Agreement or the interest of the Institution under this Loan Agreement, except for Permitted Encumbrances, or Liens being contested as permitted by Section 6.7(b) below, the Institution shall, within thirty (30) days of receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice), give written notice thereof to the Issuer and the Trustee and take all action (including the payment of money and/or the securing of a bond) at its own cost and expense as may be necessary or appropriate to obtain the discharge in full thereof and to remove or nullify the basis thereof.

(b) The Institution may at its sole expense contest (after prior written notice to the Issuer and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if (1) such proceeding shall suspend the execution or enforcement of such Lien (other than a "Permitted Encumbrances" as defined in the Master Trust Indenture) against the Facility or any part thereof or interest therein, or in this Loan Agreement, of the Issuer, the Institution or the Trustee or against any of

25

the Debt Service Payments or other amounts payable under this Loan Agreement, and (2) neither the Institution, the Issuer nor the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith.

Section 6.8. Issuer's Authority. The Issuer covenants and agrees that it has full right and lawful authority to enter into this Loan Agreement for the full term hereof.

Section 6.9. No Warranty of Condition or Suitability. THE ISSUER HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, FITNESS, DESIGN, OPERATION OR WORKMANSHIP OF ANY PART OF THE FACILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OR CAPACITY OF THE MATERIALS IN THE FACILITY, OR THE SUITABILITY OF THE FACILITY FOR THE PURPOSES OR NEEDS OF THE INSTITUTION OR THE EXTENT TO WHICH PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT TO PAY THE COST OF COMPLETION OF THE PROJECT. THE INSTITUTION ACKNOWLEDGES THAT THE ISSUER IS NOT THE MANUFACTURER OF THE EQUIPMENT NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN. THE INSTITUTION IS SATISFIED THAT THE FACILITY IS SUITABLE AND FIT FOR ITS PURPOSES. THE ISSUER SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER TO THE INSTITUTION OR ANY OTHER PERSON FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY THE PROPERTY OF THE FACILITY OR THE USE OR MAINTENANCE THEREOF OR THE FAILURE OF OPERATION THEREOF, OR THE REPAIR, SERVICE OR ADJUSTMENT THEREOF, OR BY ANY DELAY OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, REPAIRS, SERVICE OR ADJUSTMENT, OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF OR FOR ANY LOSS OF BUSINESS HOWSOEVER CAUSED.

Section 6.10. Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Earnings Fund, the Rebate Fund, the Bond Fund or the Project Fund upon the expiration or sooner termination of this Loan Agreement as provided herein, after payment in full of the Bonds (in accordance with Section 7.01 of the Indenture), the fees, charges and expenses of the Trustee, the Bond Registrar, the Paying Agent and the Issuer in accordance with the Indenture and after all Debt Service Payments and all other amounts payable hereunder, shall have been paid in full, and after all amounts required to be rebated to the federal government pursuant to the Tax Compliance Agreement and the Indenture shall have been so paid, shall belong to and be paid to the Institution by the Trustee as overpayment of Debt Service Payments.

Section 6.11. Issuance of Additional Bonds. The Issuer and the Institution recognize that under the provisions of and subject to the conditions set forth in the Indenture, and with respect to the Institution, subject to the conditions set forth in the Master Trust Indenture, the Issuer is authorized to enter into a Supplemental Indenture and issue one or more series of Additional Bonds on a parity with the Series 2019 Bonds for the purposes provided in Section 2.13 of the Indenture. If the Institution is not in default hereunder, the Issuer will consider the issuance of Additional Bonds in the principal amount as is specified in a written request in

26

shall, to the extent not inconsistent with the terms of such gift or grant, deliver to the Trustee, for deposit in a special subaccount of the Bond Fund, an amount of money equal to such gift or grant, but only to the extent to which proceeds of Series 2019 Bonds were expended for such component. The Trustee shall apply such moneys, at the written direction of an Authorized Representative of the Institution, to the purchase (at prices not exceeding par) or redemption of an equal principal amount of Series 2019 Bonds.

Section 6.14. Further Assurances. The Institution will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including Uniform Commercial Code financing statements, at the sole cost and expense of the Institution, as the Issuer or the Trustee deem reasonably necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of this Loan Agreement and any rights of the Issuer or the Trustee hereunder and under the Indenture.

Section 6.15. Filing and Recording. The security interest granted by the Issuer to the Trustee pursuant to the Indenture and the Pledge and Assignment, shall in each case be perfected by the filing of financing statements at the direction of the Issuer (at the sole cost and expense of the Institution), which financing statements shall be in accordance with the New York State Uniform Commercial Code - Secured Transactions, in the office of the Secretary of State of the State and, if applicable, the office of the clerk of Monroe County, New York.

In addition, the Issuer shall cause to be recorded in office of the clerk of Monroe County, New York each Mortgage and each Assignment of Mortgage.

The Issuer and the Institution acknowledge that, as of the Closing Date,

(i) Section 9-515 of the New York State Uniform Commercial Code-Secured Transactions provides that an initial financing statement filed in connection with a "public-financed transaction" is effective for a period of thirty (30) years after the date of filing if such initial financing statement indicates that it is filed in connection with a public finance transaction,

(ii) Section 9-102(67) of the New York State Uniform Commercial Code-Secured Transactions defines a public-finance transaction as a secured transaction in connection with which, in substance, (x) bonds are issued, (y) all or a portion of the bonds have an initial stated maturity of at least twenty (20) years, and (z) the debtor, obligor, secured party or assignee with respect to the collateral or secured obligation is a governmental unit of a state, and

(iii) subject to any future change in law, the initial financing statement as shall be filed with respect to the security interest described above shall therefore have an effective period of thirty (30) years after the date of filing, for the purpose of determining the date by which continuation statements shall be filed.

Any filings with respect to the Uniform Commercial Code financing statements may be made electronically, and the Issuer shall have the right to designate a company (which shall be

28

accordance with the applicable provisions set forth in the Indenture. If Additional Bonds are to be issued pursuant to the Indenture and the Master Trust Indenture, the Issuer and the Institution shall enter into an amendment to this Loan Agreement, providing, among other things, for the payment by the Institution of such additional Debt Service Payments as are necessary in order to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith.

Any such completion, repair, relocation, replacement, rebuilding, restoration, but not additions, extensions or improvements shall become a part of the Facility and shall, pursuant to the amendment to this Loan Agreement referenced in the foregoing paragraph, be included under this Loan Agreement to the same extent as if originally included hereunder and thereunder.

Section 6.12. Reserved.

Section 6.13. Redemption Under Certain Circumstances; Special Covenants.

(a) Upon the circumstances set forth in Section 3.01(a) of the Indenture, the Institution shall pay or cause the prepayment of its Debt Service Payments upon the circumstances and in the manner set forth in the Indenture. If the Series 2019 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described in Section 3.01(a) of the Indenture, the Institution shall deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Institution stating that, as a result of the occurrence of the event giving rise to such redemption, the Institution has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

The Institution shall, prior to directing the redemption of any Series 2019 Bonds in accordance with subsection (b) below, consult with Bond Counsel for advice as to a manner of selection of Series 2019 Bonds for redemption that will not adversely affect the exclusion of interest on any Series 2019 Bonds from gross income for federal income tax purposes.

(b) (i) If, prior to completion of the construction of a component of the Project, the Institution receives any gift or grant required by the terms thereof to be used to pay any item which is a cost of such component of the Project, the Institution shall apply such gift or grant to completion of the construction of such component of the Project. In the event that the amount of such gift or grant is in excess of the amount necessary to complete such component of the Project, and if proceeds of Series 2019 Bonds have been expended on such component of the Project, the Institution shall deliver to the Trustee, for deposit in a special subaccount of the Bond Fund, an amount equal to such excess only to the extent to which proceeds of Series 2019 Bonds were expended for such component. The Trustee shall apply such moneys, at the written direction of an Authorized Representative of the Institution, to the purchase (at prices not exceeding par) or redemption of an equal principal amount of Series 2019 Bonds.

(ii) If, after completion of the construction of a component of the Project, the Institution receives any gift or grant which prior to such completion it reasonably expected to receive and which is required by the terms thereof to be used to pay any item which is a cost of such component of the Project, and if proceeds of the Series 2019 Bonds have been expended on such component of the Project, the Institution

27

reasonably acceptable to the Trustee) to facilitate the filing of the Uniform Commercial Code financing statements.

The Institution acknowledges and agrees that the Issuer shall have no responsibility or liability whatsoever related in any way to the filing of any Uniform Commercial Code financing statements, or the perfection of any security interests, or the recording of any document, or the failure to effect any act referred to in this Section or a failure of sufficiency of any such act so effected.

All costs (including reasonable attorneys' fees and expenses) incurred in connection with the effecting of the requirements specified in this Section shall be paid by the Institution.

Section 6.16. Right to Cure Issuer Defaults. The Issuer hereby grants the Institution full authority for account of the Issuer to perform any covenant or obligation the non-performance of which is alleged to constitute a default in any notice received by the Institution, in the name and stead of the Issuer, with full power of substitution.

Section 6.17. Construction Monitor. The Institution hereby covenants to comply with the terms and provisions of the Construction Oversight Consulting Services Agreement.

Section 6.18. Preservation of Exempt Status.

(a) Each of the Home, the Heritage, the Sole Member and the CO represents and warrants that as of the date of execution of this Loan Agreement: (i) it is an organization described in Section 501(c)(3) of the Code; (ii) it has received a ruling letter or determination from the Internal Revenue Service to that effect; (iii) such letter or determination has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of such letter or determination; (v) the facts and circumstances which form the basis of such letter or determination continue substantially to exist as represented to the Internal Revenue Service; (vi) it is not a "private foundation", as defined in Section 509 of the Code; and (vii) it is exempt from federal income taxes under Section 501(a) of the Code and it is in compliance with the provisions of said Code and any applicable regulations thereunder necessary to maintain such status.

(b) The Institution agrees that (i) it shall not perform any acts, enter into any agreements, carry on or permit to be carried on at the Facility, or permit the Facility to be used in or for any trade or business, which shall adversely affect the basis for its exemption under Section 501 of such Code; (ii) it shall not use more than five percent (5%) of the proceeds of the Series 2019 Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any person or persons who are not governmental units or Section 501(c)(3) organizations; (iii) the Project conforms to the description thereof contained in the Indenture and it shall not directly or indirectly use the proceeds of any Series 2019 Bonds to make or finance loans to persons other than governmental units or Section 501(c)(3) organizations; (iv) it shall not take any action or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the date of issue of any Series 2019 Bonds, would cause such Series 2019 Bonds to be "arbitrage bonds" under the Code

29

or cause the interest paid by the Issuer on such Series 2019 Bonds to be subject to federal income tax in the hands of the Holders thereof; and (v) it shall use its best efforts to maintain the tax-exempt status of any Series 2019 Bonds.

(c) The Institution (or any related person, as defined in Section 144(a)(3) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase any Series 2019 Bonds in an amount related to the amount of the payments due from the Institution under this Loan Agreement.

(d) The covenants and agreements of the Institution set forth in this Section 6.18 shall apply to the Facility notwithstanding the release of the Facility from this Loan Agreement until all Series 2019 Bonds shall cease to be Outstanding, except to the extent any such covenant or agreement need not, in the opinion of Bond Counsel addressed to the Issuer and the Trustee, continue to so apply in order to maintain the non-includability in gross income for federal income tax purposes of the interest on the Series 2019 Bonds.

Section 6.19. Securities Law Status. The Institution affirmatively represents, warrants and covenants that, as of the date of this Loan Agreement, it is a not-for-profit corporation, or a disregarded entity of a not-for-profit corporation, as applicable, duly organized and operating: (i) exclusively for civic or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of which inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Institution agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section.

#### ARTICLE VII EVENTS OF DEFAULT; REMEDIES

Section 7.1. Events of Default. Any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) Failure of the Institution to pay any Debt Service Payment that has become due and payable by the terms of Section 3.2 hereof which results in a default in the due and punctual payment of the principal of, redemption premium, if any, or interest on any Bond;

(b) Failure of the Institution to pay any amount (except as set forth in Section 7.1(a) or (g) hereof) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed hereunder, and continuance of such failure for a period of thirty (30) days after receipt by the Institution of written notice from the Issuer, the Trustee, or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, specifying the nature of such default;

(c) Failure of the Institution to observe and perform any covenant, condition or agreement hereunder on its part to be performed (except as set forth in Section 7.1(a), (b) or (g) hereof) and (1) continuance of such failure for a period of thirty (30) days after receipt by the Institution of written notice specifying the nature of such default from the Issuer, the Trustee, or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds

30

for the remainder of the term of this Loan Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; *provided, however*, that, upon the occurrence of an Event of Default under Section 7.1(d) or (e) hereof, all principal installments of Debt Service Payments payable under Section 3.2 hereof for the remainder of the term of this Loan Agreement, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Issuer, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) The Issuer or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the Debt Service Payments then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Institution under this Loan Agreement;

(c) The Trustee may take any action permitted under the Indenture with respect to an Event of Default thereunder; and

(d) The Issuer, without the consent of the Trustee or any Bondholder, may proceed to enforce its Reserved Rights by bringing an action for damages, injunction or specific performance and the Institution hereby appoints the Issuer its true and lawful agent and attorney-in-fact (which appointment shall be deemed to be an agency coupled with an interest) with full power of substitution to file on its behalf all affidavits, questionnaires and other documentation necessary to accomplish such conveyance.

In the event that the Institution fails to make any Debt Service Payment or other payment required in Section 3.2 and Section 3.3 hereof, the amount so in default shall continue as an obligation of the Institution until the amount in default shall have been fully paid.

No action taken pursuant to this Section 7.2 shall, except as expressly provided herein, relieve the Institution from its obligations hereunder, all of which shall survive any such action.

Section 7.3. Reserved.

Section 7.4. Remedies Cumulative. The rights and remedies of the Issuer or the Trustee under this Loan Agreement shall be cumulative and shall not exclude any other rights and remedies of the Issuer or the Trustee allowed by law with respect to any default under this Loan Agreement. Failure by the Issuer or the Trustee to insist upon the strict performance of any of the covenants and agreements herein set forth or to exercise any rights or remedies upon default by the Institution hereunder shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Institution with all of the covenants and conditions hereof, or of the rights to exercise any such rights or remedies, if such default by the Institution be continued or repeated, or of the right to recover possession of the Facility by reason thereof.

Section 7.5. No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so

32

Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, and the Institution fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue, with reasonable diligence, its efforts to cure the same;

(d) The Institution shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) take any action for the purpose of effecting any of the foregoing, or (vii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of the Institution, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Institution or of all or any substantial part of its assets, (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing against the Institution shall be entered and continue unstayed and in effect, for a period of ninety (90) days or (iv) the Institution shall fail to convert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code; the terms "dissolution" or "liquidation" of the Institution as used above shall not be construed to prohibit any action otherwise permitted by Section 6.1 hereof;

(f) Any representation or warranty made (i) by or on behalf of the Institution in the application and related materials submitted to the Issuer or the initial purchaser(s) of the Series 2019 Bonds for approval of the Project or its financing, or (ii) by the Institution herein or in any of the other Financing Documents, or (iii) in the Bond Purchase Contract, or (iv) in the Tax Compliance Agreement, or (v) any report, certificate, financial statement or other instrument furnished pursuant hereto or any of the foregoing shall prove to be false, misleading or incorrect in any material respect as of the date made; or

(g) An "Event of Default" caused by the Institution or the Obligated Group, as the case may be, under the Indenture or under any other Financing Document shall occur and be continuing.

Section 7.2. Remedies on Default. Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, the Issuer, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of Debt Service Payments payable under Section 3.2 hereof

31

waived and shall not be deemed to waive any other breach hereunder. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Issuer and/or the Trustee and the Institution or any delay or omission on the part of the Issuer and/or the Trustee in exercising any rights hereunder or under the Indenture or under any other Financing Document shall operate as a waiver. To the extent permitted by applicable law, the Institution hereby waives the benefit and advantage of, and covenants not to assert against the Issuer or the Trustee, any valuation, injunction, stay, appraisal, extension or redemption laws now existing or which may hereafter exist which, but for this provision, might be applicable to any sale or reletting made under the judgment, order or decree of any court or under the powers of sale and reletting conferred by this Loan Agreement or otherwise.

Section 7.6. Effect on Discontinuance of Proceedings. In case any proceeding taken by the Trustee under the Indenture or this Loan Agreement or under any other Financing Document on account of any Event of Default hereunder or under the Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then, and in every such case, the Issuer, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights hereunder and thereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Section 7.7. Agreement to Pay Attorneys' Fees and Expenses. In the event the Institution should default under any of the provisions of this Loan Agreement, and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of Debt Service Payments or other amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Institution herein contained or contained in any other Financing Document, the Institution agrees that it will, on demand therefor, pay to the Issuer or the Trustee the reasonable fees and out-of-pocket disbursements of such attorneys and such other out-of-pocket expenses so incurred.

#### ARTICLE VIII OPTIONS

Section 8.1. Options. (a) The Institution has the option to make advance Debt Service Payments for the deposit in the Bond Fund to effect the retirement of the Bonds in whole or the redemption in whole or in part of the Bonds or purchase in lieu of redemption of the Bonds, all in accordance with the terms of the Indenture; *provided, however*, that, no partial redemption of the Bonds may be effected through advance Debt Service Payments hereunder if there shall exist and be continuing an Event of Default. The Institution shall exercise its option to make such advance Debt Service Payments by delivering a written notice of an Authorized Representative of the Institution to the Trustee in accordance with the Indenture, with a copy to the Issuer, setting forth (i) the amount of the advance Debt Service Payment, (ii) the principal amount of Bonds Outstanding requested to be redeemed or purchased with such advance Debt Service Payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture), and (iii) the date on which such principal amount of Bonds are to be redeemed. Such advance Debt Service Payment shall be paid to the Trustee in legal tender on or before the redemption date and shall be an amount which, when added to the amount on deposit in the Bond Fund and available therefor, will be sufficient to pay

33

the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Issuer, the Bond Registrar, the Trustee and the Paying Agent in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Institution shall further pay on or before such redemption date, in legal tender, to the Issuer, the Trustee, the Bond Registrar and the Paying Agent, as the case may be, all fees and expenses owed such party or any other party entitled thereto under this Loan Agreement or the Indenture together with (i) all other amounts due and payable under this Loan Agreement and the other Financing Documents, and (ii) any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement.

(b) The Institution shall have the option to terminate this Loan Agreement on any date during the term hereof by causing the redemption, purchase or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture.

(c) As a condition precedent to the termination of this Loan Agreement, pursuant to Section 8.1(b) hereof, the Institution shall pay to the Trustee, in consideration thereof, in legal tender, advance Debt Service Payments, for deposit in the Bond Fund (if payment in full of the principal or the Redemption Price of, and interest on, all the Outstanding Bonds, and the interest thereon at maturity or upon earlier redemption has not yet been made) equal to the sum of the following:

(1) an amount which, when added to the amount on deposit in the Bond Fund and available therefor, will be sufficient to redeem, purchase or defease the Outstanding Bonds in accordance with the provisions of the Indenture including, without limitation, the principal or the Redemption Price (as the case may be) of, together with interest to maturity or redemption date (as the case may be) on, the Outstanding Bonds; and

(2) expenses of redemption, the fees and expenses of the Issuer and the Trustee and all other amounts due and payable under this Loan Agreement or the Indenture on or before such date.

(d) The Institution shall not, at any time, assign or transfer its option to terminate this Loan Agreement as contained in this Section 8.1 separate and apart from a permitted assignment of this Loan Agreement pursuant to Section 9.3 hereof without the prior written consent of the Issuer and the Trustee.

Section 8.2. Termination on Exercise of Option to Terminate. Upon termination of this Loan Agreement in accordance with Section 8.1 hereof, the Issuer will, upon payment of the consideration payable in accordance with Section 8.1(c) hereof deliver or cause to be delivered to the Institution a termination of this Loan Agreement. Concurrently with the delivery of such termination, there shall be delivered by the Issuer to the Trustee any instructions or other instruments required by Section 7.02 of the Indenture to defease and pay the Bonds.

Section 8.3. Option to Purchase or Invite Tenders of Bonds. The Institution shall have the option, at any time during the term of this Loan Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender

34

reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be fulfilled even though such existing or impending strikes, lockouts or other industrial disturbances may not be settled but could have been settled by acceding to the demands of the opposing person or persons.

Section 9.3. Assignment. The Institution may not at any time, except as otherwise permitted pursuant to Section 6.1 hereof, assign or transfer this Loan Agreement, without the prior written consent of the Issuer (which consent shall not be unreasonably withheld); *provided, further*, that, (1) the Institution shall nevertheless remain liable to the Issuer for the payment of all Debt Service Payments and for the full performance of all of the terms, covenants and conditions of this Loan Agreement and of any other Financing Document to which it shall be a party, (2) any assignee or transferee of the Institution in whole of the Facility shall have assumed in writing and have agreed to keep and perform all of the terms of this Loan Agreement on the part of the Institution to be kept and performed, shall be jointly and severally liable with the Institution for the performance thereof, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State, (3) in the Opinion of Counsel addressed to the Issuer and Trustee, such assignment or transfer shall not legally impair in any respect the obligations of the Institution for the payment of all Debt Service Payments nor for the full performance of all of the terms, covenants and conditions of this Loan Agreement or of any other Financing Document to which the Institution shall be a party, nor impair or limit in any respect the obligations of any obligor under any other Financing Document, (4) any assignee or transferee shall be a Tax-Exempt Organization or, if not a Tax-Exempt Organization, upon receipt of an opinion of Bond Counsel addressed to the Issuer and the Trustee as to the non-includability in gross income of interest on the Bonds for purposes of federal income taxation, and shall utilize the Facility in compliance with the Act, (5) such assignment or transfer shall not violate any provision of this Loan Agreement, the Indenture, the Master Trust Indenture, or any other Financing Document, (6) such assignment or transfer shall in no way diminish or impair the Institution's obligation to carry the insurance required under Section 4.4 of this Loan Agreement and the Institution shall furnish written evidence satisfactory to the Issuer and the Trustee that such insurance coverage shall in no manner be limited by reason of such assignment or transfer, (7) each such assignment or transfer contains such other provisions as the Issuer or the Trustee may reasonably require, and (8) in the opinion of Bond Counsel, such assignment or transfer shall not cause the interest on the Bonds to be includable on gross income for federal income taxes. The Institution shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such assignment or transfer in substantially final form at least thirty (30) days prior to the date of execution thereof.

Any consent by the Issuer to any act of assignment or transfer shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Institution, or the successors or assigns of the Institution, to obtain from the Issuer consent to any other or subsequent assignment or transfer, or as modifying or limiting the rights of the Issuer under the foregoing covenant by the Institution.

36

offer to the Holders thereof. The Bonds so purchased by the Institution shall be, at the option of the Institution, either (i) delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase or (ii) remarketed by the Underwriter (as remarketing agent), pursuant to a remarketing agreement acceptable to the Underwriter, the Institution, and the Issuer and subject to the delivery of an opinion of Bond Counsel to the effect that the remarketing of the Series 2019 Bonds will not adversely impact the tax exempt status for federal income tax purposes of interest payable on the Series 2019 Bonds and such other items as required by the Underwriter or Bond Counsel. The Issuer shall at all times make available or cause to be made available to the Institution its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

Section 8.4. Termination of Loan Agreement. After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with Section 7.01 of the Indenture and the payment of the fees and expenses of the Issuer, the Paying Agent, the Bond Registrar and the Trustee and all other amounts due and payable under this Loan Agreement or the Indenture, together with any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement, this Loan Agreement shall terminate, subject, however, to the survival of the obligations of the Institution under Sections 6.2 or 6.3 hereof.

#### ARTICLE IX MISCELLANEOUS

Section 9.1. Indenture: Amendment. The Institution shall have and may exercise all the rights, powers and authority stated to be in the Institution in the Indenture and in the Bonds, and the Indenture and the Bonds shall not be modified, altered or amended in any manner which adversely affects such rights, powers and authority so stated to be in the Institution or otherwise adversely affects the Institution without the written consent of the Institution.

Section 9.2. Force Majeure. In case by reason of force majeure either party hereto shall be rendered unable wholly or in part to carry out its obligations under this Loan Agreement, then except as otherwise expressly provided in this Loan Agreement, if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than the obligations of the Institution to make the Debt Service Payments or other payments required under the terms hereof, or to comply with Section 4.5 or 6.2 hereof), so far as they are affected by such force majeure, shall be suspended during the continuance of the inability then claimed which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, acts of terrorism, orders of any kind of the Government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not

35

Section 9.4. Priority of Indenture. Pursuant to the Indenture and the Pledge and Assignment, the Issuer will pledge and assign the Debt Service Payments and certain other moneys receivable under this Loan Agreement to the Trustee as security for payment of the principal, purchase price or Redemption Price of, if any, and interest on the Bonds, and this Loan Agreement shall be subject and subordinate to the Indenture, and such security interests, pledges and assignments thereunder.

Section 9.5. Benefit of and Enforcement by Bondholders. The Issuer and the Institution agree that this Loan Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Bonds, and accordingly all covenants and agreements on the part of the Issuer and the Institution as set forth in this Loan Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in Article VIII of the Indenture on behalf of the Bondholders by the Trustee (as permitted under the Indenture).

Section 9.6. Amendments. This Loan Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture; *provided, however*, that, any amendment of Section 4.3 hereof shall not require the consent of the Trustee.

Section 9.7. Notices. All notices, certificates or other communications hereunder shall be sufficient if sent by registered or certified United States mail, postage prepaid, addressed, if to the Issuer, to the Monroe County Industrial Development Corporation, 50 West Main Street, Rochester, New York 14614, Attention: Executive Director; if to the Institution, to St. Ann's of Greater Rochester, Inc., 1500 Portland Avenue, Rochester, New York 14621, Attention: Senior Vice President & CFO; if to the Trustee, to Wilmington Trust, National Association, 285 Delaware Avenue, 3<sup>rd</sup> Floor, Buffalo, New York 14202, Attention: Corporate Trust Department. The Issuer, the Institution and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice, certificate or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given as of the date it shall have been mailed.

Section 9.8. Prior Agreements Superseded. This Loan Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral (other than any Financing Documents), between the Issuer and the Institution relating to the Project.

Section 9.9. Severability. If any clause, provision or section of this Loan Agreement be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

Section 9.10. Inspection of Facility. The Institution will permit the Trustee, or its duly authorized agents, at all reasonable times during normal business hours upon written notice to enter upon the Facility and to examine and inspect the Facility and, if available, exercise their rights hereunder, under the Indenture and under the other Financing Documents with respect to the Facility, if any.

37



Section 9.11. Effective Date; Counterparts. This Loan Agreement shall become effective upon its delivery. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 9.12. Binding Effect. This Loan Agreement shall inure to the benefit of, and shall be binding upon, the Issuer, the Institution and their respective successors and assigns.

Section 9.13. Net Agreement. It is the intention of the parties hereto that this Loan Agreement be "net" to the Institution and that all of the Debt Service Payments payable hereunder be available for debt service on the Bonds, and this Loan Agreement shall be construed to effect such intent.

Section 9.14. Laws Governing. This Loan Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 9.15. Investment of Funds. Any moneys held as part of the Rebate Fund, the Earnings Fund, the Project Fund, the Bond Fund or in any special fund provided for in this Loan Agreement or in the Indenture to be invested in the same manner as in any said Fund shall, at the written request of an Authorized Representative of the Institution, be invested and reinvested by the Trustee, as provided in the Indenture (but subject to the provisions of the Tax Compliance Agreement). Neither the Issuer nor any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments or for any loss arising therefrom.

Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged.

Section 9.16. Investment Tax Credit. It is the intention of the parties hereto that any investment tax credit or comparable credit which may ever be available relating to the Facility shall accrue to the benefit of the Institution and the Institution shall, and the Issuer upon advice of counsel may, make any election and take other action in accordance with the Code or the laws of the State as may be necessary to entitle the Institution to have such benefit.

Section 9.17. Waiver of Trial by Jury. The parties do hereby expressly waive all rights to trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of this Loan Agreement or the Facility or any matters whatsoever arising out of or in any way connected with this Loan Agreement.

The provision of this Loan Agreement relating to waiver of a jury trial and the right of re-entry or re-possession shall survive the termination or expiration of this Loan Agreement.

Section 9.18. Non-Discrimination. (a) At all times during the construction, maintenance and operation of the Facility, the Institution shall not discriminate against any employee or applicant for employment because of race, color, creed, age, sex or national origin. The Institution shall use its best efforts to ensure that employees and applicants for employment with the Institution or any subtenant of the Facility are treated without regard to their race, color,

Section 9.20. Date of Loan Agreement for Reference Purposes Only. The date of this Loan Agreement shall be for reference purposes only and shall not be construed to imply that this Loan Agreement was executed on the date first above written. This Loan Agreement was executed and delivered on the date of original issuance and delivery of the Series 2019 Bonds.

[SIGNATURE PAGE FOLLOWS]

creed, age, sex or national origin. As used herein, the term "treated" shall mean and include, without limitation, the following: recruited, whether by advertising or other means; compensated, whether in the form of rates of pay or other forms of compensation; selected for training, including apprenticeship; promoted; upgraded; downgraded; demoted; transferred; laid off; and terminated.

(b) To the extent required by law, the Institution shall, in all solicitations or advertisements for employees placed by or on behalf of the Institution, state that all qualified applicants will be considered for employment without regard to race, color, creed or national origin, age or sex.

Section 9.19. No Recourse under this Loan Agreement or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Issuer or Institution, as applicable, contained in this Loan Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer or Institution, as applicable, and not of any member, director, officer, employee or agent of the Issuer or Institution, as applicable, in his/her individual capacity, and no recourse shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Issuer or Institution, as applicable, or any natural person executing the Bonds.

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[SIGNATURE PAGE TO LOAN AGREEMENT]

IN WITNESS WHEREOF, the Issuer has caused its corporate name to be hereunto subscribed by its duly authorized President, Vice President or Executive Director and the Institution has caused its name to be subscribed hereto by its Authorized Representative, all being done as of the day and year first above written.

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

By: \_\_\_\_\_  
Peter W. Hin, President

**ST. ANN'S HOME FOR THE AGED**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**ST. ANN'S NURSING HOME COMPANY, INC.**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**ST. ANN'S SENIOR HOUSING, INC.**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CHERRY RIDGE INDEPENDENT LIVING, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CHERRY RIDGE APARTMENTS, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**THE GLEN AT CHERRY RIDGE, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

**CHAPEL OAKS, INC.**

By: \_\_\_\_\_  
Dennis P. Kant, Senior Vice President & CFO

STATE OF NEW YORK )  
COUNTY OF MONROE )

On the \_\_\_ day of December in the year 2019 before me, the undersigned, personally appeared Peter W. Hin, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
Notary Public

STATE OF NEW YORK )  
COUNTY OF MONROE )

On the \_\_\_ day of December in the year 2019 before me, the undersigned, personally appeared Dennis P. Kant, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
Notary Public

**SCHEDULE A**

**PROJECT COMPLETION CERTIFICATE OF THE INSTITUTION AS REQUIRED BY SECTION 2.2 OF THE LOAN AGREEMENT**

THE UNDERSIGNED HEREBY CERTIFIES that he/she is an Authorized Representative (as defined in the Indenture referred to below) of St. Ann's Home for the Aged, a New York not-for-profit corporation (the "Home"), St. Ann's Nursing Home Company, Inc., a New York not-for-profit corporation (the "Heritage"), St. Ann's Senior Housing, Inc., a New York not-for-profit corporation (the "Sole Member"), on behalf of itself and as the sole member of Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge (the "CRIL"), Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge (the "CRA") and The Glen at Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge (the "CRG"), and Chapel Oaks, Inc., a New York not-for-profit corporation (the "CO", and collectively with the Home, the Heritage, the Sole Member, the CRIL, CRA and CRG, the "Institution"), and this certificate is being delivered in accordance with the provisions of Section 2.2 of that certain Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Monroe County Industrial Development Corporation (the "Issuer") and the Institution, and FURTHER CERTIFIES THAT (capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Indenture of Trust, dated as of December 1, 2019, by and between the Issuer and Wilmington Trust, National Association, as trustee:

The Project was completed on \_\_\_\_\_.

The Project has been completed substantially in accordance with the plans and specifications therefor and all labor, services, materials and supplies used therefor have been paid for (except for any costs not exceeding \$100,000 in the aggregate (i) not now due and payable or (ii) the liability for payment of which is being contested or disputed in good faith by the Institution).

All other facilities necessary in connection with the Project have been completed, and all costs and expenses incurred in connection therewith have been paid (except for any costs not exceeding \$100,000 in the aggregate (i) not now due and payable or (ii) the liability for payment of which is being contested or disputed in good faith by the Institution).

In accordance with all applicable laws, regulations, ordinances and guidelines, the 2019 Home Facility has been made ready for occupancy, use and operation for its intended purposes.

The Rebate Amount as calculated in accordance with the Tax Compliance Agreement is \$ \_\_\_\_\_, and [the Trustee is hereby directed to withdraw such amount from the Earnings Fund account and deposit it in the Rebate Fund] [accompanying this certificate is the amount of \$ \_\_\_\_\_ which the Trustee is directed to deposit in the Rebate Fund].

Attached hereto as Exhibit A is a temporary or permanent certificate of occupancy, if required by applicable law, and any and all permissions, approvals, licenses or consents required of governmental authorities for the occupancy, operation and use of the 2019 Home Facility for

the purposes contemplated by the Loan Agreement for any portion of the Project that prior to the date of issuance of the Bonds did not have a certificate of occupancy.

Attached hereto as Exhibit B is evidence of the issuance of all necessary, unconditional and final permits with respect to the Project, if any, from all appropriate governmental agencies, and evidence that the Project is in compliance with all applicable building, zoning and other governmental codes and regulations, and that all requisite licenses, permits and approvals that may be required so as to permit the use and operation of the 2019 Home Facility by the Institution and any uses necessary or incidental thereto for any portion of the Project that prior to the date of issuance of the Bonds did not have such permit.

This certificate (x) is given without prejudice to any rights of the Institution against third parties which may exist on the date hereof or which may subsequently come into being, and (y) is given only for the purposes of Section 2.2 of the Loan Agreement. No Person other than the Issuer and the Trustee may benefit from this certificate.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**ST. ANN'S HOME FOR THE AGED**

By: \_\_\_\_\_  
\_\_\_\_\_

**ST. ANN'S NURSING HOME COMPANY, INC.**

By: \_\_\_\_\_  
\_\_\_\_\_

**ST. ANN'S SENIOR HOUSING, INC.**

By: \_\_\_\_\_  
\_\_\_\_\_

**CHERRY RIDGE INDEPENDENT LIVING, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

**CHERRY RIDGE APARTMENTS, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

**THE GLEN AT CHERRY RIDGE, LLC**

By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

**CHAPEL OAKS, INC.**

By: \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

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**APPENDIX E**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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## APPENDIX E

### PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

*Upon the delivery of the Series 2019 Bonds, Harris Beach PLLC, Bond Counsel to the Issuer, proposes to deliver its legal opinion in substantially the following form:*

\_\_\_\_\_, 2019

Monroe County Industrial Development Corporation  
50 West Main Street  
Rochester, New York 14614

**Re: \$108,825,000 Monroe County Industrial Development Corporation  
Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019**

Ladies and Gentlemen:

We have examined the record of proceedings in connection with the issuance by the Monroe County Industrial Development Corporation (the "Issuer") of its \$108,825,000 Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019 (the "Series 2019 Bonds" or the "Bonds") for the benefit of St. Ann's Home for the Aged, a not-for-profit corporation organized under the Laws of the State of New York (the "Home"), St. Ann's Nursing Home Company, Inc., a not-for-profit corporation organized under the Laws of the State of New York (the "Heritage"), St. Ann's Senior Housing, Inc., a not-for-profit corporation organized under the Laws of the State of New York (the "Sole Member"), on behalf of itself and as the sole member of Cherry Ridge Independent Living, LLC d/b/a The Cottages at Cherry Ridge, a limited liability company organized under the Laws of the State of New York (the "CRIL"), Cherry Ridge Apartments, LLC d/b/a Apartment Homes at Cherry Ridge, a limited liability company organized under the Laws of the State of New York (the "CRA") and The Glen at Cherry Ridge, LLC d/b/a Rainier Grove at Cherry Ridge, a limited liability company organized under the Laws of the State of New York (the "CRG"), and Chapel Oaks, Inc., a not-for-profit corporation organized under the Laws of the State of New York (the "CO", and collectively with the Home, the Heritage, the Sole Member, the CRIL, CRA and CRG, the "Institution") for the purpose of financing or refinancing the Project (as defined below). The Bonds are authorized to be issued pursuant to (a) Section 1411 of the Not-for-Profit Corporation Law of the State of New York, (b) Resolution No. 100 of 2010 of the Monroe County Legislature (the "County Resolution"), (c) a bond resolution (the "Bond Resolution") adopted by the members of the Issuer on August 13, 2019, for the purpose of providing funds to assist in the financing or refinancing of the Project for the benefit of the Institution, and (d) a certain Indenture of Trust, dated as of December 1, 2019 (the "Indenture"), by and between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee").

The project (collectively, the "Project") consists of: (I) the Home project consisting of: (A) the 2019 Home project (the "2019 Home Project") consisting of: (i) the renovation,

equipping and modernization of the approximately 258,000 square-foot, ten (10) story existing 388-bed skilled nursing facility tower located at 1500 Portland Avenue, in the Town of Irondequoit, County of Monroe, New York (the "Irondequoit Campus") in order to provide for, among other things, renovated and reconfigured resident rooms, family/common areas, back of the house areas, including, but not limited to, staff and nurse stations, food service areas and cooling/duct/electrical upgrades, together with ancillary and related facilities and improvements (collectively, the "2019 Home Improvements") and (ii) the acquisition and installation in and around the 2019 Home Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "2019 Home Equipment", together with the 2019 Home Improvements, the "2019 Home Facility"), (B) the funding of capitalized interest relating to the 2019 Home Facility, (C) the refunding of the outstanding principal amount of the \$28,881,867.31 original principal amount Tax-Exempt Revenue Bonds (St. Ann's Home for the Aged Project), Series 2014A (the "Home Series 2014A Bonds") issued by the Issuer for the benefit of the Home, the proceeds of which were applied to (i) refund the outstanding principal amount of the \$16,000,000 original principal amount Civic Facility Revenue Bonds (St. Ann's Home for the Aged Project), Series 2000 issued by the County of Monroe Industrial Development Agency ("COMIDA") for the benefit of the Home, the proceeds of which were applied to finance and/or refinance the acquisition, construction, expansion, renovation and equipping at the Irondequoit Campus of an approximately 258,000 square-foot 388-bed St. Ann's Home facility (collectively, the "2000 Home Facility") and (ii) refund the outstanding principal amount of the \$17,200,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Home For The Aged Project), Series 2010 issued by the Issuer for the benefit of the Home, the proceeds of which were applied to finance and/or refinance the construction and equipping at the Irondequoit Campus of: (1) an approximately 78,000 square-foot, four-story skilled nursing facility to house the Home's new nursing home (both intermediate-care and skilled nursing facilities) with 72 sub-acute/rehabilitation care beds and 10 hospice inpatient general beds, together with ancillary and related facilities and improvements, (2) an approximately 500 square-foot ground floor structure to connect to the northern end of the existing St. Ann's Home facility and (3) a basement below the skilled nursing facility to house a therapy gym and to provide mechanical space, storage and below-grade access to support services (collectively, the "2010 Home Facility" and, together with the 2000 Home Facility and the 2019 Home Facility, the "Home Facility") and (D) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Home and KeyBank, National Association; (II) the Heritage project consisting of (A) the refunding of the outstanding principal amount of the \$16,246,280.90 Tax-Exempt Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2014A (the "Heritage Series 2014A Bonds") issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to refund the outstanding principal amount of the \$16,085,000 original principal amount Multi-Modal Revenue Bonds (St. Ann's Nursing Home Company, Inc. Project), Series 2010 issued by the Issuer for the benefit of the Heritage, the proceeds of which were applied to finance and/or refinance the construction and equipping on approximately 38 acres located at 900 Cherry Ridge Boulevard, in the Town of Webster, County of Monroe, New York (the "Webster Campus") of: (1) an approximately 56,000 square-foot, three-story skilled nursing facility to house the Heritage's new nursing home with 72 beds of sub-acute/rehabilitation (12 beds) and long-term/skilled nursing (60 beds) care, together with ancillary and related facilities and improvements and (2) an approximately 400 square-foot structure to connect to the eastern service area of the existing assisted living facility



(The Glen) to provide for the sharing of food service and "back-of-the-house" operations (collectively, the "Heritage Facility") and (B) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Heritage and KeyBank, National Association; (III) the CRIL project consisting of the refunding of the outstanding principal amount of the \$6,250,036.44 Tax-Exempt Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2014A (the "CRIL Series 2014A Bonds") issued by the Issuer for the benefit of the CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$13,940,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Independent Living, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRIL, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 55 two-bedroom independent living cottages for senior living, together with ancillary and related facilities and improvements, constituting approximately 107,000 square-feet (collectively, the "CRIL Facility"); (IV) the CRA project consisting of the refunding of the outstanding principal amount of the \$8,219,174.04 Tax-Exempt Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2014A (the "CRA Series 2014A Bonds") issued by the Issuer for the benefit of the CRA, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$9,455,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRA, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 45 one-bedroom and 26 two-bedroom independent rental apartments for senior living, together with ancillary and related facilities and improvements, constituting approximately 61,000 square-feet (collectively, the "CRA Facility"); (V) the CRG project consisting of the refunding of the outstanding principal amount of the \$12,717,513.91 Tax-Exempt Revenue Bonds (The Glen at Cherry Ridge, LLC Project), Series 2014A (the "CRG Series 2014A Bonds") issued by the Issuer for the benefit of the CRG, acting on behalf of the Sole Member, the proceeds of which were applied to refund the outstanding principal amount of the \$14,625,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Cherry Ridge Apartments, LLC Project), Series 2005 issued by COMIDA for the benefit of the CRG, acting on behalf of the Sole Member, the proceeds of which were applied to finance and/or refinance the acquisition, construction and equipping at the Webster Campus of 42 one-bedroom and 33 studio assisted living suites for senior living, together with ancillary and related facilities and improvements, constituting approximately 38,000 square-feet (collectively, the "CRG Facility"); (VI) the payment of the termination fee pursuant to that certain Master Agreement, dated September 29, 2014, as supplemented by that certain Confirmation, dated July 24, 2017, each by and between the Sole Member, the CRIL, the CRA, the CRG and KeyBank, National Association; (VII) the CO project consisting of (A) the refunding of the outstanding principal amount of the \$9,065,000 Revenue Refunding Bonds (Chapel Oaks, Inc. Project), Series 2014 (the "CO Series 2014 Bonds", and collectively with the Home Series 2014A Bonds, the Heritage Series 2014A Bonds, the CRIL Series 2014A Bonds, the CRA Series 2014A Bonds and the CRG Series 2014A Bonds, the "Prior Bonds") issued by the Village of East Rochester Housing Authority for the benefit of the CO, the proceeds of which were applied to refund the outstanding principal amount of the \$ 14,455,000 original principal amount Revenue Bonds (Chapel Oaks, Inc. Project), Series 1997 issued by the Dormitory Authority of the State of New York for the benefit of the CO, the

proceeds of which were applied to finance and/or refinance the construction and equipping at the Irondequoit Campus of a 120 -unit independent living rental facility for middle income senior citizens (collectively, the "CO Facility", and together with the Home Facility, the Heritage Facility, the CRIL Facility, the CRA Facility and the CRG Facility, the "Facility") and (B) the payment of the termination fee pursuant to that certain Master Agreement, dated January 9, 2014, as may be supplemented from time to time, by and between the CO and KeyBank, National Association; (VIII) the funding of the deposit to the Reserve Fund (as defined in the hereinafter defined Master Trust Indenture and as created thereunder) and (IX) the payment of certain costs and expenses incidental to the issuance of the Series 2019 Bonds and the defeasance and/or redemption of the Prior Bonds (the costs associated with items (I) through (IX) above being hereinafter collectively referred to as the "Project Costs").

All capitalized terms, not otherwise defined herein, shall have the meaning given such terms in the Indenture.

The Bonds are being purchased by B.C. Ziegler and Company (the "Underwriter"), pursuant to a certain Purchase Contract, dated December 19, 2019, by and among the Issuer, the Underwriter, and the Institution (the "Bond Purchase Contract").

Under the terms of a certain Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Issuer and the Institution, the Issuer has loaned the proceeds of the Bonds to the Institution to finance a portion of the Project Costs and the Institution has agreed thereunder to make loan payments thereunder in an amount sufficient to pay, among other things, the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make certain other payments with respect to the Bonds as described therein.

As security for the Series 2019 Bonds, the Issuer assigned to the Trustee all of its rights (except the Reserved Rights) under the Loan Agreement, pursuant to the terms of a certain Pledge and Assignment, dated as of December 1, 2019 (the "Pledge and Assignment"), from the Issuer to the Trustee.

As security for the Institution's obligations under the Loan Agreement, the Obligated Group Representative, on behalf of the Obligated Group (each as defined in the hereinafter defined Master Trust Indenture), has issued Master Note No. 1 to the Trustee by way of endorsement from the Issuer (the "Master Note No. 1"), pursuant to and in accordance with the Master Trust Indenture, dated as of December 1, 2019 (the "Original Master Indenture"), by and among the Institution, the Obligated Group Representative and Wilmington Trust, National Association, in its capacity as master trustee (the "Master Trustee"), as supplemented by a Supplemental Indenture Number 1, dated as of December 1, 2019 (the "Supplemental Indenture No. 1", and together with the Original Master Indenture, the "Master Trust Indenture" or the "Master Indenture"), by and between the Obligated Group Representative and the Master Trustee.

As security for the Master Note No. 1, the Institution granted to the Issuer first, second and third mortgage liens on and first, second and third security interests in certain properties of the Institution pursuant to a certain Mortgage and Security Agreement (Acquisition Loan), Mortgage and Security Agreement (Project Loan) and Mortgage and Security Agreement

(Building Loan), respectively, each dated as of December 1, 2019, from the Obligated Group Representative and the Institution to the Issuer (collectively, the "Mortgage"); which mortgage liens and security interests have been assigned by the Issuer to the Master Trustee pursuant to a certain Assignment of Mortgage and Security Agreement (Acquisition Loan), Assignment of Mortgage and Security Agreement (Project Loan) and Assignment of Mortgage and Security Agreement (Building Loan), respectively, each dated as of December 1, 2019, from the Issuer to the Master Trustee (collectively, the "Assignment of Mortgage").

The Issuer and the Institution have executed and delivered a certain Tax Compliance Agreement, dated the date of issuance of the Bonds (the "Tax Compliance Agreement"), in which the Issuer and the Institution have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and regulations and rulings of the United States Treasury Department promulgated thereunder (collectively, the "Code").

The Bonds are dated as of their date of issuance and bear interest from that date on the unpaid principal amount at the rates set forth in, and pursuant to the terms of, the Indenture and the Bonds. The Bonds are subject to prepayment or redemption prior to maturity, in whole or in part, at such time or times, or under such circumstances and in such manner as are set forth in the Bonds and the Indenture, respectively.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

In rendering the opinions set forth below, we have relied upon the opinion of Harter Secrest & Emery LLP, counsel to the Institution, of even date herewith, as to the matters set forth in such opinion without making any independent investigation of the factual basis therefor or the legal conclusions set forth therein.

Based upon and in reliance upon the foregoing, it is our opinion that:

(a) The Issuer is a local development corporation created pursuant to the Not-For-Profit Corporation Law of the State of New York and is duly organized and validly existing under the laws of the State of New York.

(b) The Issuer is duly authorized and entitled by law and the County Resolution to issue, execute, sell and deliver the Bonds for the purpose of financing the Project.

(c) The Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and legally binding upon the Issuer in accordance with its terms.

(d) The Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Issuer and are the valid and legally binding special obligations of the Issuer payable in accordance with their respective terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(e) The Bonds do not constitute a debt of Monroe County, New York or the State of New York, and neither Monroe County, New York nor the State of New York will be liable thereon.

(f) Under statutes, regulations, administrative rulings and court decisions existing as of the date hereof, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals.

(g) Under existing law, for so long as interest on the Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

In rendering the opinions set forth in paragraphs (f) and (g) above, we have relied upon, among other things, certain representations and covenants of (i) the Issuer in the Indenture, the Loan Agreement, the Tax Compliance Agreement and the General Certificate of the Issuer, dated the date hereof and (ii) the Institution in the Loan Agreement, the Tax Compliance Agreement and the General Certificate of the Institution, dated the date hereof. We call your attention to the fact that there are certain requirements contained in the Code with which the Issuer and the Institution must comply from and after the date of issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for federal income tax purposes, and consequently to remain exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. The Issuer, the Institution or any other Person, by failing to comply with such requirements, may cause interest on the Bonds to become includable in gross income for federal income tax purposes and therefore subject to personal income taxes imposed by the State of New York and any political subdivision thereof, in each case, retroactive to the date of issuance of the Bonds. We render no opinion as to any federal, state or local tax consequences with respect to the Bonds, or the interest thereon, if any change occurs or action is taken or omitted by the Issuer, the Institution or any other Person under the Indenture, the Loan Agreement or the Tax Compliance Agreement, or any other relevant documents without the advice or approval of, or upon the advice or approval of any Bond Counsel other than, Harris Beach PLLC.

Except for the opinions as set forth in paragraphs (f) and (g) above, we express no opinion regarding any federal, state or local income tax consequences arising with respect to the purchase or ownership of the Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Bonds, any of the Financing Documents and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the State of New York or the federal

government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the Facility; (ii) the sufficiency of the description of the Facility in the Indenture, the Loan Agreement or any other document; or (iii) the perfection or priority of any liens, charges or encumbrances on the Facility. Further, we have not been requested to examine and have not examined any documents or information relating to the Issuer or the Institution other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the Trustee, the Underwriter or any other person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States.

Very truly yours,

[END OF APPENDIX E]

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**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of December 1, 2019 (this “Disclosure Agreement”) is executed and delivered by St. Ann’s of Greater Rochester, Inc., as obligated group representative (the “Obligated Group Representative”), St. Ann’s Home for the Aged (the “Home”), St. Ann’s Nursing Home Company, Inc. (the “Heritage”), St. Ann’s Senior Housing, Inc. (the “Sole Member”), Cherry Ridge Independent Living, LLC (“CRIL”), Cherry Ridge Apartments, LLC (“CRA”), The Glen at Cherry Ridge, LLC (“CRG”) and Chapel Oaks, Inc. (“CO”); and, collectively with the Home, the Heritage, the Sole Member, CRIL, CRA and CRG, the “Obligated Group”) and Wilmington Trust, National Association, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$108,825,000 Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann’s Community Project), Series 2019 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2019 (the “Trust Indenture”), by and between Monroe County Industrial Development Corporation (the “Issuer”) and Wilmington Trust, National Association, as trustee (the “Trustee”), and the proceeds of the Bonds are being loaned by the Issuer to the Obligated Group pursuant to a Loan Agreement, dated as of December 1, 2019 (the “Loan Agreement”), between the Issuer and the Obligated Group. The Obligated Group and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Group Representative, the Obligated Group and the Dissemination Agent for the benefit of the Bondowners and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Obligated Group Representative, the Obligated Group and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures. The Dissemination Agent, except as provided in Section 3, has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and shall have no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3.

Section 2. Definitions. In addition to the definitions set forth above and in the Master Indenture defined below, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“2019 Home Facility” shall have the meaning set forth in the Trust Indenture.

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

“Bondowner” shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or the Obligated Group.

“Construction Reports” shall mean, to the extent prepared and excluding any draft reports, reports prepared by an independent construction monitor for the benefit of the Trustee or a lender or other bondholders and actually received by the Obligated Group with respect to construction with respect to the Facilities, including, without limitation, the reports prepared by ZumBrunnen, Inc. in connection with the acquisition, construction, renovation and equipping of the 2019 Home Facility.

“Dissemination Agent” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Obligated Group Representative and which has filed with the Obligated Group Representative, the Trustee and the Issuer a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. In the absence of a third-party Dissemination Agent, the Obligated Group Representative shall serve as the Dissemination Agent. Initially, Wilmington Trust, National Association shall serve as the Dissemination Agent, and the Obligated Group hereby so designates Wilmington Trust, National Association and Wilmington Trust, National Association hereby accepts such designation.

“Financial Obligation” shall mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B).

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

“Master Indenture” shall mean the Master Trust Indenture, dated as of December 1, 2019, among the Obligated Group Representative, the Obligated Group and Wilmington Trust, National Association, as master trustee.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB as contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit B hereto.

“Quarterly Report” shall mean any Quarterly Report provided by the Dissemination Agent pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New York.

“Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

### Section 3. Provision of Reports.

(a) The Dissemination Agent, not later than 150 days after the end of each fiscal year, commencing with the fiscal year commencing January 1, 2019 (the “Annual Report Filing Deadline”), shall submit to the MSRB the Obligated Group’s Annual Report as provided to the Dissemination Agent by the Obligated Group, which Annual Report the Obligated Group agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than ten (10) days prior to said date, the Obligated Group (if the Obligated Group Representative is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. If the audited financial statements of the Obligated Group are not available for inclusion in the Obligated Group’s Annual Report as of such tenth day prior to the Annual Report Filing Deadline, the Obligated Group may instead provide unaudited financial statements to the Dissemination Agent, who shall in turn submit the Obligated Group’s Annual Report containing the unaudited financial statements; provided, however, that the Obligated Group shall provide the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to the MSRB as soon as practicable thereafter. The Obligated Group shall provide a copy of the Annual Report to the Issuer and the Trustee. Neither the Trustee nor the Dissemination Agent shall have any duty to review the financial statements for content and shall not be deemed to have any knowledge of the contents thereof.

(b) The Dissemination Agent, not later than 45 days after the end of each fiscal quarter, commencing with the fiscal quarter ending December 31, 2019 (the “Quarterly Report Filing Deadline”) shall submit to the MSRB the Obligated Group’s Quarterly Report as provided to the Dissemination Agent by the Obligated Group, which Quarterly Report the Obligated Group agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than ten (10) days prior to said date, the Obligated Group (if the Obligated Group Representative is not the Dissemination Agent) shall provide the Quarterly Report to the Dissemination Agent.

(c) In each case, the Annual Report and the Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, in each case, that the Obligated Group shall provide clear written instructions to the Dissemination Agent as to the complete list of documents comprising each Annual Report and Quarterly Report.

(d) If the Dissemination Agent has not received the Annual Report or Quarterly Report as applicable, by the Annual Report Filing Deadline or the Quarterly Report Filing Deadline, as applicable, the Dissemination Agent shall

send, and the Obligated Group hereby authorizes and directs the Dissemination Agent to submit on its behalf, a notice to the MSRB in substantially the form attached as Exhibit A.

(e) If the Dissemination Agent has not provided the Annual Report or the Quarterly Report to the MSRB by the Annual Report Filing Deadline or the Quarterly Report Filing Deadline, as applicable, the Obligated Group shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit A irrespective of whether the Dissemination Agent submits such written notice.

(f) The Dissemination Agent shall submit to the MSRB each Construction Report as provided to the Dissemination Agent by the Obligated Group. The Obligated Group shall provide the Dissemination Agent with each Construction Report that is prepared within five (5) Business Days of receipt of each Construction Report.

#### Section 4. Content of Reports.

(a) The Obligated Group's Annual Report shall contain or incorporate by reference audited financial statements for the most recent fiscal year, and financial information and operating data as set forth below:

1. an annual audited financial report of the Obligated Group prepared by Accountants (which such audited financial report may be an audited financial report of the Obligated Group Representative which contains schedules showing the required financial information for the Obligated Group), 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, together with a separate written statement of the Accountants preparing such report (or another firm of Accountants) containing calculations of the Obligated Group's Historical Debt Service Coverage Ratio and Days Cash on Hand at the end of such Fiscal Year and a statement that such Accountants have no knowledge of any default under the Master Indenture insofar as it relates to accounting matters or to the Obligated Group's financial covenants, 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;
2. an Officer's Certificate of the Obligated Group Representative (A) 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, (B) calculating and certifying Days Cash on Hand, the Historical Debt Service Coverage Ratio and occupancy, as of the end of such month or Fiscal Year, as appropriate, (C) reporting the number of stars awarded to the Facilities pursuant to the Centers for Medicare and Medicaid Services Five-Star Quality Rating System, if applicable and available, and (D) certifying that the UCC-1 Financing Statements filed with the New York State Secretary of State to perfect the security interest in the Trust Estate granted to the Master Trustee under the Master Indenture are in full force and effect and disclosing the expiration date of such financing statements; and
3. a management's discussion and analysis of results for such Fiscal Year.

(b) The Obligated Group's Quarterly Report shall contain or incorporate by reference financial information and operating data as set forth below:

1. quarterly unaudited financial statements of the Obligated Group (which such unaudited financial statements may be unaudited financial statements of the Obligated Group Representative which contain schedules showing the required financial information for 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, a combined or combining balance sheet as of the end of each such fiscal quarter, and a calculation of Days Cash on Hand,

Historical Debt Service Coverage Ratio and occupancy, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative in an Officer's Certificate;

2. comparisons of such unaudited financial statements to the Annual Budgets and a summary of (A) occupancy by each level of care (on a units available/units occupied/percentage occupied basis), and (B) payor mix in the Skilled Nursing Beds; and
3. a management's discussion and analysis of results for such fiscal quarter.

The financial statements and information provided pursuant to Sections 3 and 4(a) of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. The Quarterly Report provided pursuant to Section 4(b) of this Disclosure Agreement shall be prepared by the management of the Obligated Group. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Obligated Group is an "obligated person" covered by the Rule, which (i) are available to the public on the MSRB Internet website or (ii) have been filed with the Securities and Exchange Commission. The Obligated Group shall clearly identify each such other document so incorporated by reference.

#### Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondowners, if material;
8. Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose) 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 with respect to an obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the

termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or an additional trustee or change in the name of a trustee, if material;
15. Incurrence of a Financial Obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an obligated person, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an obligated person, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the Obligated Group shall, in a timely manner not to exceed ten (10) Business Days, direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Obligated Group shall provide a copy of each such notice to the Issuer and the Trustee. The Dissemination Agent, if other than the Obligated Group Representative, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Obligated Group, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

Section 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Obligated Group's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Dissemination Agent of an opinion of counsel experienced in federal securities laws selected by the Obligated Group Representative and acceptable to the Dissemination Agent to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Obligated Group's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Obligated Group and the original Obligated Group shall have no further responsibility hereunder.

Section 8. Dissemination Agent. The Obligated Group may, from time to time with notice to the Trustee and the Issuer, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Issuer, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Obligated Group Representative) may resign upon thirty (30) days written notice to the Obligated Group Representative, the Obligated Group, the Trustee and the Issuer.

Section 9. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group Representative, the Obligated Group and the Dissemination Agent may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 9, the Dissemination Agent shall agree to any amendment so requested by the Obligated Group or the Obligated Group Representative) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel experienced in federal securities laws acceptable to both the Obligated Group Representative and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Obligated Group Representative, the Obligated Group and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is 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 a member of the Obligated Group or of the type of business conducted by a member of the Obligated Group, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) (i) the Dissemination Agent determines, or the Dissemination Agent receives an opinion of counsel experienced in federal securities laws and acceptable to the Dissemination Agent to the effect that, the amendment does not materially impair the interests of the holders of the Bonds or (ii) the amendment is

consented to by the Bondowners as though it were an amendment to the Trust Indenture which requires the consent of the holders of the Bonds, and (d) the Dissemination Agent shall have delivered, within one business day after receipt, of copies of such opinion(s) and amendment to the MSRB through the EMMA system and to the Issuer. The annual and quarterly financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Obligated Group or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of registered owners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Obligated Group or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Obligated Group or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Obligated Group or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Obligated Group Representative) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Obligated Group agrees to indemnify and save the Dissemination Agent (if other than the Obligated Group Representative), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Obligated Group under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Obligated Group covenants that whenever the Obligated Group Representative is serving as Dissemination Agent, the Obligated Group shall cause the Obligated Group Representative to take any action required of the Dissemination Agent under this Disclosure Agreement.

The Trustee shall have no obligation under this Disclosure Agreement to report any information to the MSRB or to any Bondowner. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereunder, whether or not such event is material, the Trustee shall timely notify the Obligated Group Representative of such occurrence; provided, however, that any failure by the Trustee to give such notice to the Obligated Group Representative shall not affect the Obligated Group's obligations under this Disclosure Agreement or give rise to any liability by the Trustee for such failure.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Group, the Obligated Group Representative, the Trustee, the Dissemination Agent, the Underwriter and the Bondowners, and shall create no rights in any other person or entity.

Section 14. Disclaimer. No Annual Report or Quarterly Report or notice of a Listed Event filed by or on behalf of the Obligated Group under this Disclosure Agreement shall obligate the Obligated Group to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Obligated Group or raise any inference that no other material events have occurred with respect to

the Obligated Group or the Bonds or that all material information regarding the Obligated Group or the Bonds has been disclosed. The Obligated Group shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date set forth above.

**ST. ANN'S OF GREATER ROCHESTER, INC.**, as obligated group representative

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**ST. ANN'S HOME FOR THE AGED**

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**ST. ANN'S NURSING HOME COMPANY, INC.**

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**ST. ANN'S SENIOR HOUSING, INC.**

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**CHERRY RIDGE INDEPENDENT LIVING, LLC**  
By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**CHERRY RIDGE APARTMENTS LIVING, LLC**  
By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**THE GLEN AT CHERRY RIDGE, LLC**  
By: St. Ann's Senior Housing, Inc., its sole member

By: \_\_\_\_\_  
Title: Senior Vice President & CFO

**CHAPEL OAKS, INC.**

By: \_\_\_\_\_  
Title: Senior Vice President & CFO



**WILMINGTON TRUST, NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Title: Authorized Officer

**EXHIBIT A**

**NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT**

**Name of Authority:** Monroe County Industrial Development Corporation

**Name of Bond Issue:** \$108,825,000 Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (St. Ann's Community Project), Series 2019

**Name of Obligated Persons:** St. Ann's Home for the Aged, St. Ann's Nursing Home Company, Inc., St. Ann's Senior Housing, Inc., Cherry Ridge Independent Living, LLC, Cherry Ridge Apartments, LLC, The Glen at Cherry Ridge, LLC and Chapel Oaks, Inc.

**Date of Issuance:** December 30, 2019

NOTICE IS HEREBY GIVEN that St. Ann's Home for the Aged (the "Home"), St. Ann's Nursing Home Company, Inc. (the "Heritage"), St. Ann's Senior Housing, Inc. ("Member"), Cherry Ridge Independent Living, LLC ("CRIL"), Cherry Ridge Apartments, LLC ("CRA"), The Glen at Cherry Ridge, LLC ("CRG") and Chapel Oaks, Inc. ("CO"; and, collectively with the Home, the Heritage, the Member, CRIL, CRA and CRG, the "Obligated Group") has not provided [an Annual][a Quarterly] Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of December 1, 2019 among St. Ann's of Greater Rochester, Inc., as the obligated group representative, the Obligated Group and Wilmington Trust, National Association, as dissemination agent (the "Dissemination Agent").

Dated: \_\_\_\_\_

---

WILMINGTON TRUST, NATIONAL ASSOCIATION, as  
dissemination agent on behalf of the Obligated Group

cc: St. Ann's of Greater Rochester, Inc.  
St. Ann's Home for the Aged  
St. Ann's Nursing Home Company, Inc.  
St. Ann's Senior Housing, Inc.  
Cherry Ridge Independent Living, LLC  
Cherry Ridge Apartments, LLC  
The Glen at Cherry Ridge, LLC  
Chapel Oaks, Inc.

**EXHIBIT B**

**FILING INFORMATION FOR THE MSRB**

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board  
<http://emma.msrb.org/>

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ST. ANN'S  
COMMUNITY

*Full of Life*



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