NEW ISSUE/BOOK-ENTRY ONLY **RATING: STANDARD & POOR'S: "A"**
(SEE "RATINGS" HEREIN)

In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, assuming continuing compliance by the Authority and Masonic Villages with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code") and any applicable regulations thereunder, interest on the Series 2017 Bonds is not includable in gross income under Section 103(a) of the Code and interest on the Series 2017 Bonds is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes, except as set forth under the heading "Tax Matters" in this Official Statement. Other provisions of the Code may affect purchasers and holders of the Series 2017 Bonds. See "Federal Tax Laws" herein for a brief description of these provisions.

Under the laws of the Commonwealth of Pennsylvania, the Series 2017 Bonds and interest on the Series 2017 Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Series 2017 Bonds or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Series 2017 Bonds shall be subject to State and local taxation within the Commonwealth of Pennsylvania.

$29,000,000
LANCASTER COUNTY HOSPITAL AUTHORITY
Health Center Revenue Bonds
(Masonic Villages Project)
Series of 2017

Dated: Delivery Date **Due: November 1, as shown on the inside cover hereby**

The Series 2017 Bonds are being issued as Additional Bonds by the Lancaster County Hospital Authority (the "Authority") pursuant to the terms of a Trust Indenture, dated as of October 1, 1989, as previously amended and supplemented, and as further supplemented by a Thirteenth Supplemental Trust Indenture, dated as of February 1, 2017 (collectively, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, having a corporate trust office in Pittsburgh, Pennsylvania (the "Trustee"). Pursuant to a Loan Agreement dated as of October 1, 1989 between the Authority and Masonic Villages, as previously amended and supplemented, and as further supplemented in connection with the issuance of the Series 2017 Bonds by a Twelfth Supplemental Loan Agreement dated as of February 1, 2017, the proceeds of the Series 2017 Bonds will be loaned to Masonic Villages to provide funds, together with other funds available to Masonic Villages for the Project (defined below).

The Series 2017 Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial ownership interests in the Series 2017 Bonds will be made in book entry only form in denominations of $5,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC is the registered owner, principal or redemption price of and interest on the Series 2017 Bonds is payable directly to DTC for redistribution to DTC Participants and in turn to the Beneficial Owners as described herein. Purchasers of the Series 2017 Bonds will not receive physical delivery of certificates representing their ownership interests in the Series 2017 Bonds. See "**The Series 2017 Bonds – Book-Entry Only System**" herein.

The proceeds of the sale of the Series 2017 Bonds will be used by Masonic Villages for (i) the acquisition, design, construction, furnishing, and related improvements of 72 new independent living cottages at Masonic Villages' Elizabethtown, Pennsylvania campus, including the costs associated with relocating the landscape operations building and resident gardens from their current locations on the site of the Project and the payment and reimbursement of costs and expenses relating thereto; and (ii) the payment of certain of the costs and expenses in connection with the issuance of the Series 2017 Bonds (collectively, the "Project").

AMOUNTS, MATURITIES, INTEREST RATES
AND PRICES
AS SHOWN INSIDE THE FRONT COVER HEREOF

Interest on the Series 2017 Bonds is payable on May 1, 2017 and on each November 1 and May 1 thereafter. The Series 2017 Bonds will be subject to redemption prior to maturity as more fully described herein.

THE SERIES 2017 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE AN OBLIGATION OR DEBT OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2017 BONDS. THE AUTHORITY HAS NO TAXING POWER. IN ADDITION, NO OFFICER, MEMBER OR EMPLOYEE OF THE AUTHORITY PAST, PRESENT OR FUTURE, SHALL HAVE ANY LIABILITY WITH RESPECT TO THE SERIES 2017 BONDS.

See "**Bondholders Risks**" for certain risks associated with an investment in the Series 2017 Bonds.

This cover page contains information for quick reference only. It is not a summary of the Series 2017 Bonds or their security. Investors must read the entire official statement, to obtain information essential to the making of an informed investment decision regarding the Series 2017 Bonds.

The Series 2017 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of their validity by Stevens & Lee, a professional corporation, Reading, Pennsylvania, Bond Counsel, as described herein, and to certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, McNees Wallace & Nurick LLC, Lancaster and Harrisburg, Pennsylvania; for Masonic Villages by its special counsel, Stevens & Lee, a professional corporation, Reading, Pennsylvania; and for the Underwriters by Duane Morris LLP, Philadelphia, Pennsylvania. It is anticipated the Series 2017 Bonds will be available for delivery in New York, New York on or about February 22, 2017, through the facilities of DTC.

WELLS FARGO SECURITIES

BB&T CAPITAL MARKETS **PNC CAPITAL MARKETS LLC**

Dated: February 2, 2017

$29,000,000
LANCASTER COUNTY HOSPITAL AUTHORITY
Health Center Revenue Bonds
(Masonic Villages Project)
Series of 2017

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

$29,000,000 Serial Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2017	$ 350,000	3.000%	1.550%	100.992	514045M91
2020	990,000	4.000	2.250	106.163	514045N25
2021	1,010,000	4.000	2.490	106.644	514045N33
2022	1,045,000	2.625	2.690	99.657	514045N41
2023	1,050,000	5.000	2.890	112.750	514045N58
2024	1,100,000	5.000	3.050	113.275	514045N66
2025	1,135,000	5.000	3.220	113.396	514045N74
2026	1,180,000	5.000	3.350	113.554	514045N82
2027	1,220,000	3.375	3.440	99.419	514045N90
2028	1,410,000	5.000	3.570	112.612*	514045P23
2029	1,480,000	5.000	3.650	111.857*	514045P31
2030	1,555,000	5.000	3.710	111.294*	514045P49
2031	1,630,000	5.000	3.780	110.643*	514045P56
2032	1,720,000	4.250	4.250	100.000	514045P64
2033	1,785,000	5.000	3.900	109.536*	514045P72
2034	1,875,000	5.000	3.960	108.988*	514045P80
2035	1,965,000	5.000	4.000	108.624*	514045P98
2036	2,060,000	5.000	4.020	108.443*	514045Q22
2037	2,165,000	5.000	4.050	108.171*	514045Q30
2038	2,275,000	4.500	4.500	100.000	514045Q48

*Priced to first optional redemption date

 The CUSIP numbers listed above are being provided solely for the convenience of Owners of the Bonds only at the time of issuance of the Bonds and none of the Authority, Masonic Villages or the Underwriters makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The information set forth herein has been obtained from the Lancaster County Hospital Authority (the "Authority"), Masonic Villages of the Grand Lodge of Pennsylvania ("Masonic Villages"), and other sources which are believed to be reliable, but the information provided by sources other than the Authority is not guaranteed as to accuracy or completeness by the Authority. The information and expressions of opinions 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 any of the information set forth herein since the date hereof.

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT EXCEPT FOR THE STATEMENTS UNDER THE SECTIONS: "THE AUTHORITY;" AND "LITIGATION-THE AUTHORITY." THE AUTHORITY HAS ONLY REVIEWED THE INFORMATION CONTAINED HEREIN UNDER THE SECTIONS: "THE AUTHORITY;" AND "LITIGATION-THE AUTHORITY" AND APPROVED SUCH INFORMATION FOR USE WITHIN THE OFFICIAL STATEMENT.

The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Underwriters or Masonic Village to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The Bonds have not and will not be registered under the Securities Act of 1933, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal, or other governmental agency will pass upon the accuracy, completeness, or adequacy of the Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
$29,000,000
LANCASTER COUNTY HOSPITAL AUTHORITY

HEALTH CENTER REVENUE BONDS
(MASONIC VILLAGES PROJECT)
SERIES OF 2017

INTRODUCTORY STATEMENT

General. This Official Statement, including the cover page and Appendices hereto, is provided to furnish information in connection with the sale by the Lancaster County Hospital Authority (the "Authority") of its $29,000,000 Health Center Revenue Bonds (Masonic Villages Project), Series of 2017 (the "Series 2017 Bonds"). This Introductory Statement is subject in all respects to the more complete information appearing elsewhere in the Official Statement, including the cover page and the appendices. This Official Statement is to be read and used only with reference to the entire Official Statement. For the definitions of certain terms used in this Official Statement, see **"Definitions of Certain Terms and Summaries of the Indenture and the Loan Agreement"** in APPENDIX C.

The Series 2017 Bonds will be issued by the Authority under a Trust Indenture, dated as of October 1, 1989 (the "1989 Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., having a corporate trust office in Pittsburgh, Pennsylvania, as trustee (the "Trustee"), as previously amended and supplemented, and as further supplemented by a Thirteenth Supplemental Trust Indenture, dated as of February 1, 2017 (the "Thirteenth Supplemental Indenture"; and collectively referred to as the "Indenture"). The Authority previously issued its $22,940,000 Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series 1996 (the "Series 1996 Bonds") pursuant to the Indenture of which $11,685,000 remain outstanding, its $37,420,000 Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series A of 2008 (the "Series A of 2008 Bonds") pursuant to the Indenture of which $27,595,000 remain outstanding, its $34,725,000 Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series B of 2008 (the "Series B of 2008 Bonds") pursuant to the Indenture of which $26,145,000 remain outstanding, its $43,255,000 Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series D of 2008 (the "Series D of 2008 Bonds") pursuant to the Indenture of which $34,495,000 remain outstanding, and its $39,025,000 Health Center Revenue Bonds (Masonic Villages Project) Series of 2013 (the "Series 2013 Bonds") pursuant to the Indenture of which $34,415,000 remain outstanding, and its $44,195,000 Health Center Revenue Bonds ("Masonic Villages Project) Series of 2015 (the "Series 2015 Bonds") of which $40,140,000 remain outstanding.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the

Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

Lancaster County Hospital Authority. The Authority is a public body corporate and politic created pursuant to a resolution adopted by the County Commissioners of Lancaster County (the "County"), under the Act of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") approved June 1, 2001, as amended and supplemented, known as the Municipality Authorities Act (the "Act"). See "**The Authority**."

The Grand Lodge. The Right Worshipful Grand Lodge of the Most Ancient and Honorable Fraternity of Free and Accepted Masons of Pennsylvania, and Masonic Jurisdiction Thereunto Belonging (the "Grand Lodge"), an unincorporated fraternal organization operating under a lodge system, has been determined by the Internal Revenue Service to be exempt from federal income tax as an organization described in Section 501(c)(10) of the Internal Revenue Code of 1986, as amended (the "Code"). The Grand Lodge conducts a wide variety of activities throughout the Commonwealth through its subordinate lodges, various committees and facilities.

Masonic Villages. Masonic Villages of the Grand Lodge of Pennsylvania ("Masonic Villages") is a Pennsylvania non-profit corporation which has been determined to be exempt from federal income tax as an organization described in Section 501(c)(3) of the Code. The Grand Lodge is the sole member of Masonic Villages.

Effective January 1, 2013, Masonic Homes of the Grand Lodge of Free and Accepted Masons of Pennsylvania, an unincorporated charitable unit of the Grand Lodge determined by the Internal Revenue Service ("IRS") to be an organization described in Section 501(c)(3) of the Code ("Masonic Homes"), transferred all of its assets, properties, licenses, rights and liabilities comprised of a system of five senior living facilities, a children's home and various community based services (situated on campuses located at Elizabethtown, Warminster, Sewickley, Lafayette Hill and Dallas, Pennsylvania) to Masonic Villages.

Masonic Villages owns and operates all five senior living communities and all aspects of operations remain the same (name of facility, administration, personnel, location, residents and services) and Masonic Villages has assumed all the obligations of Masonic Homes under the Indenture and Loan Agreement (as hereinafter defined).

The five senior living communities, children's home and community based services are briefly described as follows:

Elizabethtown Facilities. Masonic Village at Elizabethtown, located on more than 1,400 acres in Lancaster County, PA, is a continuing care retirement community and children's home to more than 1,900 residents. Masonic Village at Elizabethtown offers 665 retirement living apartments (suites and studios), and 318 retirement living cottages, available in a variety of floor plans (the “Elizabethtown Retirement Living Community”).

Masonic Village at Elizabethtown accommodates 135 personal care residents and is Medicare and Medicaid certified for 453 units in Masonic Health Care Center (the “Elizabethtown Nursing Facility”). The Masonic Health Care Center is divided into neighborhoods where residents may receive nursing services, including specialized attention for individuals with dementia, focusing on optimizing their interests and abilities to enjoy life to the fullest.

The Masonic Children’s Home is home to up to 40 school-aged youth who live on campus and attend the Elizabethtown Area School District.

The Bleiler Caring Cottage is home to eight adults with mild to moderate developmental disabilities.

All residents have access to outpatient, clinical, subacute and healthcare services. On campus amenities include indoor swimming pools, picnic pavilions and walking paths. Residents enjoy the art studio, model railroad club, billiards, bocce courts, computer center, creative arts educational programs, gardening, libraries, musical groups, woodworking shop, worship services, wellness center and more.

In addition, the Freemasons Cultural Center and Masonic Conference Center accommodate resident and staff programming, meetings and additional requests made by the fraternity and community. The Freemasons Cultural Center area hosts ballrooms, a wellness center, a multimedia center, museum, visitor’s center, recreation areas, formal gardens, Masonic Lodge and dining areas/café. Community services include adult day care center, outreach program, pharmacy, veterans grove with the eternal flame and farm market.

Warminster Facilities. Masonic Village at Warminster, located in Bucks County, Pennsylvania is approximately 20 minutes from downtown Philadelphia, and is a Medicare and Medicaid certified skilled nursing and personal care facility.

Masonic Village at Warminster offers 43 nursing care units (“Warminster Nursing Facilities”) and 19 personal care accommodations.

Residents may choose to participate in various leisure programs and outings, as well as religious services and beautifully landscaped courtyards to enjoy a picnic, music or educational programs. Transfer agreements with area hospitals for inpatient and outpatient services, and a physician is on call at all times, adding to the care residents receive. The mission of the Masonic Village at Warminster includes serving individuals in Philadelphia County who are day-one Medicaid recipients.

Sewickley Facilities. Masonic Village at Sewickley, located on 60 acres in Aleppo Township, Pennsylvania, approximately 10 minutes from downtown Pittsburgh, is a lifecare community offering continuing care retirement services and amenities to 580 residents.

Masonic Village at Sewickley offers 44 retirement living villas/cottages and 228 retirement living apartments available in a variety of floor plans and square footage (the "Sewickley Retirement Living Community"). The clubhouse features a bank, two restaurants, computer resource center, convenience store, salon, art studio, library and administrative offices to serve retirement living residents. A woodworking shop is located on campus.

The Sturgeon Health Care Center is Medicare and Medicaid certified and offers 88 private rooms with private baths and 40 private rooms with shared baths (the "Sewickley Nursing Facility"). The Star Points building features 64 licensed personal care apartments, all with kitchenettes and private bathrooms.

An array of personalized services is available to all residents, such as scheduled transportation, religious and fraternal programs and on-site hair salon services. A Wellness center offers residents a complete fitness facility, Jacuzzi and large indoor pool. A dining room, great room, assembly room and terraces are just a few of the shared amenities available, as well as convenient medical clinics and a child care center which facilitates intergenerational activities.

Lafayette Hill Facilities. Masonic Village at Lafayette Hill, located in Montgomery County, Pennsylvania is approximately 30 minutes from downtown Philadelphia, and offers continuing care retirement services and amenities for approximately 285 residents.

Masonic Village at Lafayette Hill offers 158 retirement living apartments in a variety of floor plans (the "Lafayette Hill Retirement Community"). Personal care features 51 licensed single and deluxe units. A Medicare and Medicaid certified community, the Masonic Village at Lafayette Hill offers 60 skilled nursing accommodations along with rehabilitative services (the "Lafayette Hill Nursing Facility").

Recreational opportunities on campus include an in-house bowling alley, putting green, computer lab, art classes, billiards, woodworking shop, wellness center, auditorium for live entertainment, volunteer opportunities, intergenerational programs and religious services.

For residents' convenience, the campus has a hair salon, dining room and gift shop and offers scheduled transportation services to local shopping centers and cultural events.

Dallas Facilities. Masonic Village at Dallas, located in Luzerne County, Pennsylvania is approximately 15 minutes from Wilkes-Barre, and is an active golf retirement community, offering 38 retirement living villas/cottages and 45 retirement living apartments (the "Dallas Retirement Living Community").

Masonic Village at Dallas offers residents access to a clubhouse featuring a bistro/bar with deck space, private dining room and a ballroom for special events in addition to a premier golf course.

Masonic Village at Dallas has established relationships to allow residents the opportunity to take advantage of recreational, wellness, cultural, educational and social resources within the surrounding community. Through preferred provider agreements with select healthcare services providers within close proximity to the Masonic Village, residents have access to assisted living and/or healthcare services, should they ever need them. Residents also have access to any of the

Masonic Villages' healthcare facilities in Elizabethtown, Lafayette Hill, Sewickley and Warminster, PA.

The Elizabethtown Facilities, the Warminster Facilities, the Sewickley Facilities, the Lafayette Hill Facilities and the Dallas Facilities are referred to collectively herein as the "Facilities." The Elizabethtown Retirement Living Community, the Sewickley Retirement Living Community, the Lafayette Hill Retirement Living Community and the Dallas Retirement Living Community are referred to herein as "Retirement Living Communities."

The Project. The Series 2017 Bonds are to be issued pursuant to the Act to provide funds to be used by Masonic Villages for (i) the acquisition, design, construction, furnishing, and related improvements of 72 new independent living cottages at Masonic Villages' Elizabethtown, Pennsylvania campus, including the costs associated with relocating the landscape operations building and resident gardens from their current locations on the site of the Project and the payment and reimbursement of costs and expenses relating thereto; and (ii) the payment of certain of the costs and expenses in connection with the issuance of the Series 2017 Bonds (collectively, the "Project").

The Authority will lend the proceeds of the Series 2017 Bonds to Masonic Villages pursuant to a Loan Agreement between the Authority and Masonic Villages dated as of October 1, 1989 (the "Original Loan Agreement"), as previously amended, restated and supplemented and as further amended pursuant to the Twelfth Supplemental Loan Agreement dated as of February 1, 2017 (the "Twelfth Supplemental Loan Agreement"; and collectively referred to as the "Loan Agreement").

Security. The Series 2017 Bonds will be issued under and secured by the Indenture. Under the Twelfth Supplemental Loan Agreement, Masonic Villages agrees to pay certain sums, including amounts sufficient to pay the principal of, premium, if any, and interest on the Series 2017 Bonds when due and payable. Pursuant to the Indenture, the Authority will assign the payments to be received under the Loan Agreement to the Trustee. The Series 2017 Bonds will also be secured except, as hereinafter noted, by the moneys and securities in the funds and accounts held by the Trustee under the Indenture. The Series 2017 Bonds will be Additional Bonds (as such term is defined in the Indenture) secured by a pledge of the Gross Revenues of Masonic Villages on a parity basis with the outstanding Series 1996 Bonds, Series A of 2008 Bonds, Series B of 2008 Bonds, Series D of 2008 Bonds, Series 2013 Bonds and Series 2015 Bonds (collectively, the "Bonds") and will be equally and ratably secured by, and payable solely from, the revenues derived by the Authority under the Loan Agreement and from certain funds established under the Indenture. The Grand Lodge has not pledged any gross revenues or assets, other than the Gross Revenues pledged by Masonic Villages, to the payment of the principal of or interest on the Series 2017 Bonds. The Series 2017 Bonds will not be secured by a mortgage or security interest in the real property or tangible personal property, fixtures or equipment of Masonic Villages. For a more complete description, see **"Security and Sources of Payment for the Series 2017 Bonds."**

Description of the Series 2017 Bonds. The Series 2017 Bonds will be dated the Date of Delivery and will bear interest from such date, payable on May 1, 2017 and semiannually thereafter on November 1 and May 1 in each year. The Series 2017 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. The Series 2017 Bonds are issuable as fully registered bonds in denominations of $5,000 each or any integral multiple thereof. When issued, the Series 2017 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). See "**The Series 2017 Bonds – Book-Entry Only System**" herein. The Series 2017 Bonds will be subject to redemption prior to maturity, including optional redemption and optional redemption upon extraordinary event at such prices and pursuant to such terms as are described herein. See "**The Series 2017 Bonds – Redemption Prior to Maturity of Series 2017 Bonds**."

Bondholders' Risks. Certain risk factors should be considered by prospective investors before purchasing any of the Series 2017 Bonds. Information concerning certain risks relating to future revenues and expenses are contained under the caption **"Bondholders' Risks."** See also **"Security and Sources of Payment for the Series 2017 Bonds"** herein.

Underlying Documents. Brief descriptions of the Authority, the Series 2017 Bonds and the Security and Sources of Payment for the Series 2017 Bonds are included in this Official Statement. Information regarding Masonic Villages is included in APPENDIX A. Financial Statements of Masonic Villages are included in APPENDIX B. Definitions of certain terms used herein and summaries of certain provisions of the Indenture and the Loan Agreement are included in APPENDIX C. The references to and descriptions of the Indenture and the Loan Agreement contained herein, including the definitions of certain terms used therein, are qualified in their entirety by reference to the Indenture and the Loan Agreement; and the descriptions herein of the Series 2017 Bonds, are qualified in their entirety by reference to the form thereof and the information with respect thereto included in the Indenture and the Loan Agreement. Copies of the Indenture and the Loan Agreement will be on file with the Trustee after issuance of the Series 2017 Bonds. The form of Opinion of Bond Counsel is set forth in APPENDIX D hereto.

THE AUTHORITY

The Authority is a body corporate and politic incorporated by the Board of Commissioners of the County of Lancaster, pursuant to the Act. Under the Act, the Authority may, among other things, finance projects which it is empowered to undertake by its Articles of Incorporation. As provided in its Articles of Incorporation, the Authority is authorized to exercise any and all powers granted under the Act which include the power to undertake projects for health centers (defined in the Act to include life care or continuing care communities and nursing, personal care or personal care facilities for the elderly, handicapped or disabled) for non-profit institutions. A Certificate of Incorporation, dated as of June 2, 1975, has been issued to the Authority by the Secretary of the Commonwealth of Pennsylvania. The Authority's initial life was for 50 years from its initial date, but was extended to December 31, 2051 pursuant to Articles of Amendment filed with the Secretary of the Commonwealth on March 7, 2002, and was further extended to December 31, 2065 pursuant to Articles of Amendment filed with the Secretary of the Commonwealth on May 26, 2016.

The governing body of the Authority is a Board consisting of seven members appointed by the Board of County Commissioners of the County of Lancaster, the latter of whom are elected officials. Members of the Authority Board are appointed for staggered five-year terms and may be reappointed, but may not be County Commissioners. Present members of the Authority Board and their respective offices and terms are as follows:

Member	Office	Term Expires
Darcy Pollock	Chairperson	12/31/2021
Richard S. Wolman	Vice Chairman	12/31/2017
Jared E. Miller	Treasurer	12/31/2017
John Leaman	Assistant Treasurer	12/31/2019
Robert T. Still	Secretary	12/31/2018
Michael B. Julian	Board Member	12/31/2021
Oneida D. DeLuca	Board Member	12/31/2020

The Authority has issued several other series of hospital and health center revenue bonds for the benefit of various other hospitals and health centers. The bonds issued under the trust indenture or loan documents executed in connection with each such issue are payable solely from the revenues pledged under each such trust indenture or loan document, each separately secured, and each separate and independent from the Series 2017 Bonds as to sources of payment and security.

THE PROJECT

The proceeds of the sale of the Series 2017 Bonds will be used by Masonic Villages for (i) the acquisition, design, construction, furnishing, and related improvements of 72 new independent living cottages at Masonic Villages' Elizabethtown, Pennsylvania campus, including the costs associated with relocating the landscape operations building and resident gardens from their current locations on the site of the Project and the payment and reimbursement of costs and expenses relating thereto; and (ii) the payment of certain of the costs and expenses in connection with the issuance of the Series 2017 Bonds (collectively, the "Project").

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ESTIMATED SOURCES AND USES OF FUNDS

Masonic Village's estimate of the sources and uses of funds in connection with the issuance of the Series 2017 Bonds is as follows:

<u>Sources of Funds</u>

Proceeds of Series 2017 Bonds	$29,000,000.00
(plus net Original Premium)	2,274,246.90
Total Sources	$31,274,246.90

<u>Uses of Funds</u>

Deposit to Construction Fund	$28,498,313.00
Capitalized Interest	$2,280,154.13
Costs of Issuance [(1)]	495,779.77
Total Uses	$31,274,246.90

(1) Includes Underwriters' discount, legal fees, printing costs, fees of the Authority and the Trustee and any other cost or expense associated with the issuance of the Series 2017 Bonds.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending December 31, the amounts required each year to be made available for the payment of debt service by Masonic Villages with respect to the Series 1996 Bonds, the Series A of 2008 Bonds, the Series B of 2008 Bonds, the Series D of 2008 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and the Series 2017 Bonds. The principal amounts of the Series 2017 Bonds will be payable on November 1 and interest on the Series 2017 Bonds will be payable on May 1 and November 1.

Year Ending December 31	**Total Debt Service Requirements***
2017	16,293,056.04
2018	16,918,314.64
2019	18,256,261.02
2020	16,056,578.11
2021	16,054,105.04
2022	16,056,615.29
2023	16,056,508.41
2024	16,056,339.47
2025	16,054,902.99
2026	16,056,023.90
2027	16,054,163.76
2028	14,896,951.02
2029	14,878,199.40
2030	14,851,673.40
2031	14,817,509.02
2032	12,264,835.76
2033	9,988,818.14
2034	9,975,390.00
2035	7,028,807.00
2036	4,500,579.00
2037	4,501,556.00
2038	4,500,988.00

* Series 1996 Bonds assumed interest cost is 0.850%
Series A of 2008 Bonds assumed interest cost is 4.585%
Series B of 2008 Bonds assumed interest cost is 4.690%
Series D of 2008 Bonds assumed interest cost is 4.593%
Series 2013 Bonds assumed interest cost is 2.590%

THE SERIES 2017 BONDS

Description of the Series 2017 Bonds. The Series 2017 Bonds are being issued by the Authority under the Act and pursuant to the Indenture, will be dated the Date of Delivery, and will bear interest from such date, payable on May 1, 2017, and semiannually thereafter on November 1 and May 1 in each year (each an "Interest Payment Date") until maturity. The Series 2017 Bonds will bear interest and mature on the dates and in the amounts set forth on the inside cover page hereof. The Series 2017 Bonds will be subject to the redemption provisions set forth below.

The Series 2017 Bonds will bear interest from the Interest Payment Date to which interest has been paid next preceding the date of authentication, unless (a) such Series 2017 Bond is registered and authenticated as of an Interest Payment Date, in which event such Series 2017 Bonds shall bear interest from said Interest Payment Date; or (b) after a Record Date (as hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Series 2017 Bonds shall bear interest from such Interest Payment Date; or (c) such Series 2017 Bond is registered and authenticated on or prior to the Record Date next preceding May 1, 2017, in which event such Series 2017 Bonds shall bear interest from Date of Delivery; or (d) as shown by the records of the Trustee, interest on such Series 2017 Bonds shall be in default, in which event such Series 2017 Bonds shall bear interest from the date on which interest was last paid on such Series 2017 Bonds.

The principal of any Series 2017 Bond shall be payable when due to a registered owner upon presentation and surrender of such Series 2017 Bonds at the designated trust office of the Trustee in Pittsburgh, Pennsylvania, and interest on any Series 2017 Bond shall be paid by check mailed on the applicable Interest Payment Date to the person in whose name the Series 2017 Bond is registered at the close of business on the 15th day of the calendar month (whether or not a Business Day) next preceding the applicable Interest Payment Date (the "Record Date"). If and to the extent that the Authority shall fail to make payment or provision for payment of interest on any Series 2017 Bond on any Interest Payment Date, that interest shall cease to be payable to the person who was the registered owner of that Series 2017 Bond as of the applicable Record Date but instead shall be payable to the persons who are the registered owners of the Series 2017 Bonds at the close of business on a special record date for the payment of such defaulted interest to be established by notice mailed by the Trustee in behalf of the Authority to the registered owners of Series 2017 Bonds not less than fifteen (15) days preceding such special record date and not less than twenty (20), but not more than thirty (30), days prior to the proposed payment. The Trustee shall cause notice of the proposed payment date and the special record date therefor to be mailed to the persons in whose names the Series 2017 Bonds are registered at the close of business on the Business Day preceding the date of mailing.

The interest becoming due with respect to the Series 2017 Bonds shall, at the written request of the registered owner of at least $500,000 aggregate principal amount of such Series 2017 Bonds received by the Trustee not less than 20 days prior to the applicable Interest Payment Date, be paid by wire transfer of funds within the continental United States in immediately available funds to the bank account number of such registered owner specified in such request and entered by the Trustee on the Bond Register.

The Series 2017 Bonds are issuable as fully registered bonds in the denomination of $5,000 each or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee for DTC. DTC will act as a security depository for the Series 2017 Bonds. Purchases of the Series 2017 Bonds will be made in book entry form, in the denomination of $5,000 or any integral multiple thereof. See "**The Series 2017 Bonds – Book-Entry Only System**" herein.

As long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2017 Bonds, payments of principal, redemption price and interest on the Series 2017 Bonds will be made directly to DTC or its nominee, and all such payments will be valid and effective to satisfy fully and discharge the obligations of the Authority and Masonic Villages with respect to, and to the extent of, the principal or redemption price and interest so paid. So long as DTC or its nominee is the registered owner of the Series 2017 Bonds, references herein to the registered owners of the Series 2017 Bonds shall be deemed to refer to DTC or its nominee and not to the owners of beneficial interests in the Series 2017 Bonds.

Registration, Transfer and Exchange of Series 2017 Bonds. The transfer of any Series 2017 Bond shall be registered upon the books maintained at the corporate trust or corporate trust agency office of the Trustee, at the written request of the Owner thereof or the Owner's attorney duly authorized in writing, upon presentation and surrender of such Bond at such corporate trust or corporation trust agency office, together with a written instrument of transfer and guaranty of signature satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney in fact or legal representative.

Series 2017 Bonds may, at the option of the registered Owner thereof, be exchanged for a like aggregate principal amount of Series 2017 Bonds of other Authorized Denominations of the same maturity and interest rate.

The Authority and the Trustee shall not be required to issue or to register the transfer of or exchange any Series 2017 Bond then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Series 2017 Bonds to be redeemed and ending at the close of business on the day of mailing of the applicable notice of redemption, or to register the transfer of or exchange of any Series 2017 Bond or any portion of any Series 2017 Bond selected for redemption in whole or in part until after the redemption date.

Redemption Prior to Maturity of Series 2017 Bonds.

Optional Redemption. The Series 2017 Bonds maturing on or after November 1, 2028 are subject to redemption by the Authority, at the option and direction of Masonic Villages, on or after November 1, 2027, in whole or in part at any time, in such order of maturity as Masonic Villages shall determine, and by lot within a maturity as selected by the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption.

Optional Redemption Upon Extraordinary Event. The Series 2017 Bonds shall be subject to optional redemption by the Authority, at the written direction of Masonic Villages to the Trustee, upon notice to the Owners, in whole or in part at any time, at a redemption price equal to the principal amount thereof, without premium or penalty, in the event of damage to, destruction of, or condemnation of the Health Care Facilities, or any part thereof, to the extent of the proceeds of insurance or condemnation, under certain conditions specified in the Indenture.

Redemption Denominations. Series 2017 Bonds, or portions of Series 2017 Bonds, redeemed as described above shall be redeemed in denominations of $5,000 and any integral multiple thereof.

Selection of Series 2017 Bonds To Be Redeemed. If fewer than all the Series 2017 Bonds are called for redemption, the particular Series 2017 Bonds or portions thereof to be redeemed shall be drawn by lot by the Trustee, in such manner as the Trustee, in its discretion, may deem appropriate and fair, in the principal amounts required by the Indenture.

Notice of Redemption. In the event all or part of the Series 2017 Bonds are called for redemption, the Trustee shall, subject to the provisions of the Indenture, give notice, in the name of the Authority, of the redemption of such Series 2017 Bonds, such notice to be given by first class mail, not more than 45 days and not less than 30 days prior to the date fixed for redemption, to, among other Persons, the Owners of the Series 2017 Bonds or portions of the Series 2017 Bonds to be redeemed, at the addresses shown on the registration books of the Trustee. Such notice shall specify (a) the Series 2017 Bonds to be redeemed by CUSIP number, (b) the date fixed for redemption, (c) the redemption price or prices applicable to the Series 2017 Bonds to be redeemed, (d) that on the date fixed for redemption such Series 2017 Bonds (or portions thereof) will be payable at the principal corporate trust office of the Trustee and that on the redemption date the Series 2017 Bonds or portions thereof to be redeemed shall cease to bear interest. If at the time of mailing of such notice of redemption, there is not on deposit with the Trustee sufficient funds to pay the redemption price, including the accrued interest to the redemption date, such notice shall state that it is conditional, that is, subject to the deposit of funds for the payment of the redemption price and accrued interest on or prior to the redemption date and that such notice shall be of no effect unless such funds are so deposited. The failure to mail any notice to any Owner of any Series 2017 Bonds to be redeemed, or any defect therein, shall not affect the validity of the proceedings for redemption of any other Series 2017 Bonds. Upon presentation and surrender of Series 2017 Bonds so called for redemption at the place or places of payment, such Series 2017 Bonds or such portions thereof shall be redeemed.

Effect of Notice of Redemption. Series 2017 Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption at the redemption price provided in the notice of redemption described in the paragraph above. Any Series 2017 Bond or portion thereof called for redemption which is not delivered to the Trustee on the date fixed for redemption, shall nonetheless be deemed to have been redeemed and paid if moneys for its redemption have been deposited with the Trustee on or before such date fixed for redemption in accordance with the Indenture; and (i) interest on such Bond or portion thereof shall cease to accrue to the owners thereof as of such date fixed for redemption, and (ii) the owner of the such Bond or portion thereof shall cease to be entitled to the benefits and security of the Indenture as of such date fixed for redemption, except to receive the moneys representing the redemption price of such Bond against delivery thereof at the designated office of the Trustee.

Book-Entry Only System.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered bonds 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 certificate will be issued for each maturity and interest rate of the Series 2017 Bonds, as applicable, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017 Bonds, except in the event that use of the book-entry system for such Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents, as applicable. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2017 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an 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 such Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the 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 2017 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates evidencing such Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates evidencing the Series 2017 Bonds will be printed and delivered to DTC.

The foregoing information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the Underwriters, Masonic Villages and the Trustee make no representation as to the accuracy of such information.

THE AUTHORITY, THE TRUSTEE, MASONIC VILLAGES AND THE UNDERWRITERS 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 BONDS: (A) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE BONDS, OR (C) 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 SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE, MASONIC VILLAGES OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO HOLDERS OR OWNERS OF THE BONDS; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT THE AUTHORITY, THE TRUSTEE, MASONIC VILLAGES AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

NO REPRESENTATION IS MADE BY THE AUTHORITY, THE TRUSTEE, MASONIC VILLAGES OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE AUTHORITY, THE TRUSTEE, MASONIC VILLAGES OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE AUTHORITY, THE TRUSTEE, MASONIC VILLAGES NOR THE UNDERWRITER (EXCEPT AS DIRECT PARTICIPANTS) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, FOR THE PAYMENT OF THE PURCHASE PRICE OF, THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2017 BONDS.

Acceleration. In certain events, on the conditions, in the manner and with the effect described in the Indenture, the principal of all of the Series 2017 Bonds then Outstanding under the Indenture may become or may be declared due and payable before the stated maturity date of the Series 2017 Bonds, together with the interest accrued thereon. In certain circumstances described in the Indenture, the Owners of the Series 2017 Bonds will receive no prior notice of such declaration. See "**Trust Indenture; Default and Remedies"** in "**Summary of Terms of the Indenture"** in APPENDIX C.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS

Limited Obligations. The Series 2017 Bonds, together with interest thereon will be limited obligations of the Authority under the Indenture, payable solely from the payments made by Masonic Villages under the Loan Agreement and from certain funds created under the Indenture. The Authority will assign all its right, title and interest in the Loan Agreement to the Trustee to secure the payment of the Series 2017 Bonds and the performance and observance of the covenants in the Indenture.

The obligations of Masonic Villages under the Loan Agreement are secured by a pledge of Masonic Village's Gross Revenues, but are not secured by any mortgage lien or security interest in Masonic Village's real property or tangible personal property, fixtures or equipment. The Grand Lodge has not pledged any gross revenues or assets, other than the Gross Revenues pledged by Masonic Villages, to the payment of the principal of, premium, if any, purchase price or interest on the Series 2017 Bonds. The Series 2017 Bonds will be equally and ratably secured with the outstanding Series 1996 Bonds, Series A of 2008 Bonds, Series B of 2008 Bonds, Series D of 2008 Bonds, Series 2013 Bonds and Series 2015 Bonds. See **"Security Interest in Gross Revenues"** below.

The Series 2017 Bonds will be limited obligations of the Authority, and the Authority shall not be obligated to pay the principal of or interest on the Series 2017 Bonds except from revenues of the Authority derived from payments made under the Loan Agreement, and certain funds held under the Indenture (excluding the Rebate Fund). The Authority has no taxing power. The Series 2017 Bonds, and the interest thereon, shall not be deemed to constitute a debt or liability of the Commonwealth or of any political

subdivision thereof. Neither the Commonwealth nor the Authority shall be obligated to pay the principal of, premium, if any, or interest thereon the Series 2017 Bonds or other costs incident thereto except from the revenues, receipts and security pledged therefor, and neither the faith and the credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of, purchase price premium, if any, or interest on the Series 2017 Bonds or other costs incident thereto. In addition, no officer, member or employee of the Authority, past, present or future, shall have any liability with respect to the Series 2017 Bonds.

Security Interest in Gross Revenues. As security for payments required under the Loan Agreement, Masonic Villages will grant to the Authority a security interest in all of its Gross Revenues. As defined in the Loan Agreement, "Gross Revenues" means, when used with respect to any period, the entire gross receipts, revenues, accounts, money, income and rights to receive revenues of Masonic Villages including those arising from the rates, fees and charges fixed, charged and collected, for services provided by Masonic Villages at the Health Center Facilities (as defined in the Loan Agreement) or arising in any other manner with respect to, incident to, or on account of Masonic Village's operations, including entrance fees received and money designated as Gross Revenues in the Loan Agreement and the Indenture, before deduction of the Operating Expenses (as defined in the Loan Agreement) of Masonic Villages and before deduction of any other cost, expense, charge or liability of Masonic Villages, for such period, <u>including</u> interest income and revenues derived from Masonic Villages Reserve Fund and <u>excluding</u> (a) grants, gifts, bequests, contributions, income and other donations to the extent specifically restricted by the donor, settlor or grantor to a use inconsistent with the payment of debt service, (b) revenues or rights to receive the revenues derived from properties which secure Non-Recourse Indebtedness (as defined in the Loan Agreement), (c) Entrance Fees, to the extent required to be refunded to or on behalf of a resident upon termination of such Residents Agreement or demise of a resident as may be provided in a Residents Agreement, and (d) the unrealized gain or loss on the valuation of investments.

Masonic Villages has granted a security interest in its Gross Revenues, on a parity with the security interest granted to secure the Bonds, to secure its obligations under three Interest Rate Hedge Agreements (the "Hedge Agreements") entered into by Masonic Villages to manage its interest rate risk with respect to the variable rates of interest on the Series A of 2008 Bonds, the Series B of 2008 Bonds and the Series D of 2008 Bonds. The Hedge Agreements are based on notional amounts equal to the principal amount of the Series A of 2008 Bonds, the Series B of 2008 Bonds and the Series D of 2008 Bonds, respectively, and have terms expiring with the final maturity of the Series A of 2008 Bonds, the Series B of 2008 Bonds, and the Series D of 2008 Bonds, respectively.

Rate Covenant. The Loan Agreement requires Masonic Villages to fix, charge and collect rates, fees and charges for the use of its facilities and services provided by it, which together with other available funds, will be sufficient to provide funds in each fiscal year to (i) cover all Operating Expenses; (ii) pay the annual Administrative Expenses of the Authority; (iii) maintain a Debt Service Coverage Ratio calculated at the end of each fiscal year of not less than 1.10; and (iv) provide any amounts required to cure deficiencies in the Debt Service Reserve Fund. See APPENDIX C - **"Definitions of Certain Terms and Summaries of the Indenture and the Loan Agreement - The Loan Agreement**."

A Debt Service Reserve Fund has not been established for the Series 2017 Bonds.

Additional Debt. The Indenture and the Loan Agreement permit the incurrence of additional indebtedness by or on behalf of Masonic Villages provided that certain specific requirements contained in such documents are satisfied. The additional indebtedness may be secured equally and ratably and on a parity with the outstanding Series 1996 Bonds, Series A of 2008 Bonds, Series B of 2008 Bonds, Series D of 2008 Bonds, Series 2013 Bonds, Series 2015 Bonds and the 2017 Bonds as to the security of the Gross Revenues. Parity debt not issued as Additional Bonds under the Indenture will not, however, be secured by any fund or account, or the investment earnings on any fund or account, created under the Indenture. See APPENDIX C **- "Certain Definitions and Summary of Principal Legal Documents."**

Further Limitations. The Indenture and the Loan Agreement impose other limitations on Masonic Villages as a means of providing additional security to Bondholders. These limitations include, among others, limitations on incurring indebtedness, restrictions on the ability to transfer assets to other entities and to encumber assets of Masonic Villages. See APPENDIX C **– "Definitions of Certain Terms and Summaries of the Trust Indenture and the Loan Agreement."**

BONDHOLDERS' RISKS

Certain risks are inherent to the operation of facilities such as those of Masonic Villages. Such risks should be considered in evaluating the ability of Masonic Villages to generate sufficient revenues to pay the principal of, premium, if any, and interest on the Series 2017 Bonds when due. 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 2017 Bonds. In order to identify risk factors and make an informed decision as to whether the Series 2017 Bonds are an appropriate investment under individual circumstances, potential investors should carefully read and be thoroughly familiar with the entire Official Statement (including all appendices hereto).

THE SERIES 2017 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND RECEIPTS EXPECTED TO BE DERIVED BY MASONIC VILLAGES FROM THE OPERATION OF THE FACILITIES. THE GRAND LODGE HAS NOT PLEDGED ANY GROSS REVENUES OR ASSETS, TO THE PAYMENT OF PRINCIPAL OR INTEREST ON THE SERIES 2017 BONDS. THE SERIES 2017 BONDS ARE NOT IN ANY WAY OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA OR THE COUNTY OF LANCASTER OR ANY POLITICAL SUBDIVISION THEREOF, AND ARE NOT PAYABLE IN ANY MANNER FROM TAXATION. THE AUTHORITY HAS NO TAXING POWER.

General. The Series 2017 Bonds are limited obligations of the Authority and are payable from payments received by the Authority or the Trustee from Masonic Villages under the Loan Agreement. Payments under the Loan Agreement, as a practical matter, are dependent upon the successful operation of the independent living units, personal care units and nursing beds constituting the Facilities. The ability of Masonic Villages to generate revenues sufficient to pay debt service on the Series 2017 Bonds is subject to a number of factors, including the capabilities of the Masonic Village's management, the economic conditions of Masonic Village's service area, demand for Masonic Village's services, competition with other facilities offering comparable services and with various health plans, government regulation, government funding, and licensing requirements and future economic and other conditions (including the impact of inflation) that are unpredictable and are not quantifiable or determinable at this time. Some of the factors that might affect Masonic Village's revenue-generating abilities are discussed further below, as are certain other risks associated with the purchase of the Series 2017 Bonds.

Availability of Gross Revenues. The Series 2017 Bonds will be equally and ratably secured with the Series 1996 Bonds, the Series A of 2008 Bonds, the Series B of 2008 Bonds, the Series D of 2008 Bonds, the Series 2013 Bonds and the Series 2015 Bonds by the Gross Revenues of Masonic Villages, which are derived from the operation of the Facilities. The Grand Lodge has not pledged any gross revenues or assets to the payment of the principal of and interest on the Series 2017 Bonds. No representation or assurance can be given that Masonic Villages will generate sufficient Gross Revenues to meet Masonic Village's payment obligations under the Loan Agreement.

Masonic Village's mission has been to provide service to residents irrespective of their ability to pay. In recent years, the percentage of unreimbursed care provided to residents is significant. See APPENDIX A – "**Charity Care and Community Service**". Accordingly, operating expenses of Masonic Villages significantly exceed revenues of Masonic Villages from the operation of the Facilities. Loss from operations has historically been offset by non-operating revenue which include gifts and bequests and investment income thereon made possible by the generous support of the members and friends of the Masonic fraternity. Masonic Villages also supports the activities of certain affiliates and their operating deficits from such non-operating revenue. Masonic Villages receives a significant portion of its revenue from investment income from its endowment funds. Because a substantial portion of Masonic Village's non-operating revenue comes from investment earnings and dividends on the investment of available funds, non-operating revenue may fluctuate with changes in prevailing interest rates and investment climate and no assurance can be given that Masonic Villages will continue to receive investment income in the same amounts as it has received historically. Masonic Villages also receives a substantial amount of charitable gifts and bequests, which are not assured to continue in the future at past levels. In addition, the affiliation with the Grand Lodge has been an important factor in the receipt of gifts and bequests by Masonic Villages. Membership in the Grand Lodge has declined in recent years, which may have an adverse effect on gifts and bequests to Masonic Villages in the future. See APPENDIX A - **"Other Information - Contributions"** and - **"Management Discussion and Analysis"** and APPENDIX B.

Failure to Achieve or Maintain Occupancy Levels. The economic viability of Masonic Villages depends upon the occupancy of the Facilities throughout the term of the Series 2017 Bonds. The availability of Gross Revenues from the Facilities in the amounts necessary to pay the principal of, premium, if any, and interest on the Series 2017 Bonds will be dependent on, among other things, the retention of competent administrative and operating personnel to conduct the day-to-day operations of the Facilities, the maintenance of high occupancy levels at the Facilities by the eligible residents who will be able to pay the monthly charges, all of which are projected to increase on a regular basis in subsequent years, and future economic and other conditions which are unpredictable. The ability to generate Gross Revenues is subject to successful marketing of the Facilities in order to maintain sustaining occupancy, or in the case of new facilities, to obtain sustaining occupancy within a reasonable period of time following completion of construction. Any of these factors may affect revenues and payment of debt service on the Series 2017 Bonds. Such conditions may include an inability to control expenses in a period of inflation and difficulties in increasing fees and other charges while maintaining the amount of quality of services, competition from new or enlarged facilities in the area and significant increases in utility costs. There can be no assurance that adequate levels of occupancy will be reached and maintained. See APPENDIX A **– "Occupancy, Marketing, Competition and Payor Mix."**

Adverse Experience in Turnover of Units. The financial viability of the Facilities also is based on, among other things, Masonic Village's assumption that it will receive revenues from the remarketing of retirement living units that become available due to death, withdrawal, or transfer of residents to the nursing or personal care facilities. Masonic Villages' revenues will also be impaired if residents who die or are transferred out of the Facilities are not replaced. Further, under the terms of the Residents Agreement, for purposes of determining entrance fees refundable to residents, certain Entrance Fees are amortized by Masonic Villages over a four and eight-year periods, after which the resident continues to reside in the unit for as long as he or she meets certain requirements. If a substantial number of residents live beyond the life expectancies assumed by Masonic Villages, the receipt of additional Entrance Fees will be curtailed with a consequent impairment of Masonic Village's revenues.

Rights of Residents to Refunds. If a resident has executed a Residents Agreement and entered the Retirement Living Communities, upon the death of the resident or termination of his or her Residents Agreement and withdrawal from occupancy for any reason, Masonic Villages is required to refund to the resident or his or her estate the entire unamortized or refundable portion of the Entrance Fee, less certain unreimbursed expenses of the resident. Any such refund is a general obligation of Masonic Villages and may come at a time when Masonic Villages has not received a new Entrance Fee for such unit to cover the cost of the refund. If residents are not replaced quickly, the result may be a material depletion of Masonic Village's revenues and assets.

Increases in Number of Residents Requiring Nursing Care. One of the factors utilized by Masonic Villages in marketing the Retirement Living Communities is the availability of 453 beds for nursing care on Masonic Village's campus in Elizabethtown, 128 beds in Sewickley and 60 beds in Lafayette Hill. If due to space shortages in the Nursing Facility, residents need to be placed in nursing care or personal care beds not located on Masonic Village's campus, an adverse effect on marketing may result.

Sales of Homes - Entrance Fees. Prospective residents of the Facilities may encounter difficulty in selling their current homes due to general economic conditions affecting the sale of residential real estate and may, therefore, not have sufficient assets to pay the Entrance Fees due upon occupancy or to meet other financial obligations under the Residents Agreements and, as a result, may terminate their Residents Agreements. Masonic Villages attempts to address these issues through its marketing programs. See APPENDIX A **– "Marketing."**

The Nature of the Income of Seniors--Monthly Service Fee. The majority of Masonic Villages' revenues to cover its costs and expenses of operating the Retirement Living Communities will come from the Monthly Service Fee paid by residents. A large percentage of the monthly income of the residents of the Retirement Living Communities will be fixed income derived from investments, pensions and social security. In addition, some residents may liquidate assets in order to pay the Monthly Service Fees required under the Residents Agreement. If, due to inflation or otherwise, substantial increases in 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 Monthly Service Fees. The terms of the Residents Agreement provide that upon failure or inability to pay the Monthly Service Fee, Masonic Villages may, in its discretion, cancel the Residents Agreement or agree to a reduction of the Monthly Service Fee. It is the stated policy, however, of Masonic Villages that a resident will not be forced to vacate the Retirement Living Communities based solely upon his or her inability to pay the Monthly Service Fee. The resident may, however, be relocated to another unit in the Retirement Living Communities. The result of this policy could be that Masonic Villages may be deprived of substantial revenues to cover its monthly operating costs.

Competitive Rates; Rate Increases. Masonic Villages has made periodic increases in the amount of the entrance fees and monthly fees paid by residents at the Facilities. The amount of fees and charges will affect the number of persons who desire to be admitted to the Facilities and can afford to do so. Demand will also be affected by the level of the rates of comparable competitive facilities. Further increases of an unforeseen nature could adversely affect the marketing efforts of Masonic Villages. See APPENDIX A **– "Fee Schedules."**

Competitive Facilities. The Facilities may face additional competition in the future as a result of changing demographic conditions, and the construction of new, or the renovation or expansion of existing housing facilities for the elderly in the geographic area served by Masonic Villages. Masonic Villages may also face competition from other forms of retirement living, including condominiums, apartment buildings and facilities not specifically for the elderly. See APPENDIX A **– "Competition."**

Governmental Regulation. Legislation is periodically introduced in the United States Congress ("Congress") and in the General Assembly of the Commonwealth which could result in limitations on revenues, reimbursements, costs or charges for health care facilities. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law.

The operations of the Facilities, like other health care facilities throughout the country, will be affected on a day-to-day basis by numerous legislative, regulatory and industry-imposed operations and financial requirements which are administered by a variety of federal and state governmental agencies, as well as by self-regulatory associations and commercial medical insurance reimbursement programs. In addition, federal legislation has been enacted and various additional legislative proposals from time to time are introduced in Congress which have the common purpose of providing economic incentives to the health care industry to limit annual increases in total health care costs and accordingly, total charges to patients for health care services. The Patient Protection and Affordable Care Act of 2010, the Health Care and

Education Reconciliation Act of 2010 and related laws (collectively referred to herein as the "Affordable Care Act") are designed to reform the United States health care system and regulate many aspects of health care delivery and financing. The key provisions of the Affordable Care Act include: (1) dramatically increasing health care coverage of individuals through expansion of Medicaid eligibility and the creation of cooperative insurance purchasing pools; (2) modifying payment methodology and practice for health care providers; (3) evaluating health care providers on a variety of quality and efficacy standards to support pay-for-performance systems; (4) increasing regulations to address fraud and abuse; and (5) exploring and evaluating innovative practices in an attempt to reduce health care related costs. Pennsylvania receives funding for a Medicaid expansion coverage option for eligible participants. However, based on the recent interest in revisiting the Affordable Care Act on the part of the incoming Trump Administration, there is a reasonable likelihood that Congress will repeal or substantially revise the Affordable Care Act and introduce new healthcare laws, programs and financial requirements for healthcare coverage and funding, including reforming Medicare to become a voucher program. It is not possible to predict with any certainty the substance of those changes and how they may impact the Facilities. There is ongoing litigation to challenge parts of the Affordable Care Act, including Medicaid expansion and the new insurance pools.

Under current law, the Medicare and Medicaid programs continue to actively promote the use of managed care as means to reduce health care costs. In addition, the Affordable Care Act and other government initiatives have established new value-based payment models including accountable care organizations and pay-for-performance models. Under these models providers are paid based on meeting certain quality measures. Some models also include risk sharing based on provider performance and patient outcomes. There are also initiatives to reduce readmissions for hospital patients, many of whom are discharged and then readmitted following care provided by nursing homes. Because hospitals are under pressure to reduce readmissions, they are more closely following the care received at nursing homes following discharge which may result in reduced stays for these discharged patients. It is not possible to assess the full impact on the Facilities of managed care, new payment models, or any future reforms, including those under the incoming Trump Administration. Further legislation and government policies affecting health care facilities, governmental and commercial medical insurance reimbursement programs, and the health care industry in general could have an adverse impact on the operations of the Facilities.

Risks Relating to the Operation of the Nursing Facilities.

General. Masonic Villages operates the Elizabethtown Nursing Facility, the Sewickley Nursing Facility, the Warminster Nursing Facility and the Lafayette Hill Nursing Facility (collectively referred to as the "Nursing Facilities"). A significant portion of the activities of Masonic Villages relate to the operation of the Nursing Facilities. Payments to Masonic Villages for care received at the Nursing Facilities are made by the patients themselves on a private-pay basis or from long term care insurance by the Commonwealth of Pennsylvania or its contracted managed care organizations under the Medicaid program or by the federal government under the Medicare Program or its contracted managed care organizations. Masonic Villages has received an average of 46% of its operating revenues from the Nursing Facilities, and between 44% to 49% of its total revenues for such Nursing Facilities from Medicaid and Medicare during the past three fiscal years. Masonic Villages expects that this level of Medicaid/Medicare utilization will be maintained in the immediate future. To the extent that new federal and state health care laws and policies reduce the amount of reimbursement available to Masonic Villages, the revenues of Masonic Villages will be adversely affected.

Regulation of Nursing Home Industry. The nursing home industry is subject to extensive federal, state and, in some cases, local regulation with respect to reimbursement, licensure, certification and health planning. This regulation relates, among other things, to the adequacy of physical plant and equipment, qualifications of personnel, standards of medical and nursing care and operational and financial requirements. In recent years, there has been a substantial increase in agency investigations to determine nursing home compliance with these laws. Compliance with such regulatory requirements, as interpreted and amended from time to time, can increase operating and, in certain circumstances, capital costs and thereby adversely affect the financial viability of Masonic Villages. Failure to comply with current or future regulatory requirements could also result in restrictions on admission, overpayment determinations, the revocation of licensure, decertification or the closure of the Nursing Facilities.

Government reimbursement programs, particularly the Medicaid and the Medicare programs, are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries, and government funding restrictions, all of which materially increase or decrease the rate of program payments to nursing home facilities. As a result, the nursing home industry is sensitive to legislative and regulatory changes in and limitations on governmental spending for such programs.

Licensure and Medicare and Medicaid Participation. Masonic Villages has licenses from the Pennsylvania Department of Health ("DOH") to operate the Elizabethtown Nursing Facility, the Warminster Nursing Facility, the Sewickley Nursing Facility and the Lafayette Hill Nursing Facility as long-term nursing care facilities. The Elizabethtown Nursing Facility, the Sewickley Nursing Facility, the Warminster Nursing Facility, and the Lafayette Hill Nursing Facility are also certified to participate in the Medicaid and Medicare programs. The continued licensure and Medicaid and Medicare participation, depends upon many factors, including, among other things, accommodations, equipment, services, patient care, safety, personnel, physical environment and accounting policies, procedures and controls. Medicare also requires that nursing homes be rated based on quality and similar measures, and that the results be publicly reported. Federal, state and local agencies survey nursing homes on a regular basis and in response to complaints to determine whether such facilities are in compliance with governmental operating and health standards and conditions for participating in government reimbursement programs. Such surveys include reviews of patient utilization and inspection of standards and patient care. To the extent these applicable standards and conditions are not met, the licensure of the Nursing Facilities and government payor program participation approvals could be limited, suspended or revoked, or the Nursing Facilities could be decertified from participation in the Medicaid and Medicare programs. In addition, Pennsylvania Medicaid has established a review policy for nursing facilities that wish to expand or significantly modify their facilities including by adding beds or transferring them among facilities. The bed review process is onerous and if the State denies a request, an administrative appeal may be necessary. It is impossible to estimate whether the Medicaid agency would approve an expansion or significant modification sought by one or more of the Facilities.

Also, the federal and state governments are especially concerned about quality of care issues at nursing homes. There are mandatory and voluntary programs to collect data and provide services to support improved quality of care. For instance, the DOH is sponsoring the Long Term Care Grant Program to provide funds to approved participants in order to fund activities that support, protect and benefit residents living in nursing homes.

M*edicare Reimbursement*. Part A of Medicare covers certain nursing facility services. Nursing facilities are paid a per diem rate that covers all costs (routine, ancillary, and capital) related to services furnished to the beneficiary as reflected on a consolidated bill. The rates are based upon allowable costs from prior cost reports, inflated forward. This data is aggregated nationally by urban and rural area to determine standardized federal per diem rates to which case mix and wage adjustments apply. Per diem payments for each admission are case mix adjusted using a resident classification system based on data from resident assessments, known as the resident utilization group (RUG) system. The labor portion of the federal rates is adjusted for geographic variation wages using the hospital wage index. Payment rates are adjusted annually. It is anticipated that the Nursing Facilities will receive approximately 11% of their fiscal year 2017 total net revenues from Medicare. Medicare managed care organizations are required to cover such services as well.

Medicaid Reimbursement. The Nursing Facilities have received payments ranging from approximately 34% to 38% of their average total net revenues from Medicaid during the past three fiscal years. It is anticipated that the Nursing Facilities will receive approximately 42% of their fiscal year 2017 total net revenues from Medicaid.

The Medicaid Program in Pennsylvania is known as the Medical Assistance ("MA") Program and is administered by the Pennsylvania Department of Human Services ("DHS") (until recently the Department of Public Welfare). Under its general payment policies, it pays nursing facilities based on a prospective, per-diem payment rate and RUG patient classification system. Under the case-mix payment system, payments for resident-care costs, other resident-related costs, administrative costs and capital costs are made on a prospective basis according to rates which are set in advance and used without adjustment during their effective period. Payment rates for resident-care costs, other resident-related costs and administrative costs are based on the median cost of such services to groups of facilities ("peer groups") adjusted to peer group prices. Each facility's per diem rate is adjusted on a quarterly basis to reflect changes in the nursing facility's MA case-mix. DHS also adjusts each facility's CMI-adjusted quarterly rate by multiplying the rate by a budget adjustment factor (BAF).

DHS is in the process of seeking to reform the Medicaid payment program for long-term care facilities through the implementation of a mandatory managed care program known as Community Health Choices for Medicaid beneficiaries receiving long-term care services. If implemented, the program will likely reduce payment and increase competition for most facilities. At this time, implementation is delayed due to litigation challenges.

Also, facilities that serve a disproportionate number of the poor and underserved may be eligible for special disproportionate share payments from the MA program. Most Pennsylvania nursing facilities are also subject to a monetary assessment. For state fiscal year 2016-2017 (*i.e.*, beginning July 1), the assessment rate for Masonic Villages Nursing Facilities is $8.01. It is impossible to know with certainty the rate of the assessment, if any, in the future.

Funding for Medicare/Medicaid Eligibles. A facility providing skilled care and enrolled in the Medicaid program with more than 64 licensed beds is required to be enrolled in the Medicare program. Any Medicaid-eligible patient who is a Medicare beneficiary and who is entitled to Medicare program benefits must utilize the Medicare benefits before payment will be made by the Medicaid program. Due to changes in the healthcare industry, including Medicaid expansion, it is not known the extent to which funding for Medicare/Medicaid eligibles may change or be available in the future.

Other Third Party Reimbursement. The Nursing Facilities also receive or may receive reimbursement from non-governmental third-party payers, such as commercial insurers, employers under self-insurance programs, health maintenance organizations, and preferred provider organizations. Most of these programs make payments at rates which are less than actual charges. Accordingly, there can be no assurance that payments made under such programs will be adequate to cover actual costs incurred. Further, because the private payers typically reimburse at rates higher than those paid by Medicare or Medicaid, if a lesser percentage than projected of a nursing facility's residents are private pay, the Nursing Facilities' revenues would be adversely affected.

State Governmental Regulations. The operation of facilities for seniors is subject to a wide range of State and local government restrictions and regulations, including requirements in Pennsylvania pertaining to continuing care facilities, adult homes, and health care facilities. The construction, renovation and operation of the Facilities are subject to various licensure requirements and to approval by individual state agencies. The quality of care rendered in nursing homes is an increasing issue of government interest from the licensure and accreditation perspectives. For a Medicare-participating nursing home, both the DOH (as the licensure agency) and the federal government (on behalf of Medicare) have the right to perform surveys that may result in plans of correction, sanctions, and/or termination as a licensed entity or from Medicare, as applicable. If Masonic Villages fails to maintain such licensure or approvals, or fails to comply with any of a number of other governmental restrictions or regulations applicable to the Facilities, the ability of Masonic Villages to operate the Facilities could be impaired.

In addition, various health and safety regulations and standards apply to nursing facilities, residential living facilities and personal care facilities and are enforced by various state and local departments and agencies. Violations of certain health and safety standards could result in limitation of services, or closure. The Facilities are designed, constructed and equipped and Masonic Villages staff are selected with due regard to existing standards; however, it is possible that such standards may change, and there is no assurance that in the future the Facilities will meet any such changed standards, or that Masonic Villages will not be required to expend significant sums in order to comply with such changed standards.

Continuing Care Provider Registration and Disclosure Act. The operation of the Retirement Living Communities is subject to the requirements of the Continuing-Care Provider Registration and Disclosure Act of Pennsylvania, 40 P.S. §3201 et seq. and the regulations promulgated thereunder (collectively, the "Continuing Care Act"). The Continuing Care Act requires, among other things, that any provider of continuing care services such as the Retirement Living Communities (i) obtain a Certificate of Authority ("COA") from the Pennsylvania Insurance Commissioner (the "Insurance Commissioner"); (ii) provide to each prospective resident a disclosure statement (a "Disclosure Statement") setting forth material information with respect to such provider and the operation of the continuing care facility to be operated by such provider; (iii) include certain provisions in agreements for continuing care; and (iv) set aside reserves in specified amounts to ensure that the provider will be able to meet its contractual obligations to residents. The Continuing Care Act also provides for civil and criminal penalties for violations of the Continuing Care Act and for certain remedies if a continuing care facility encounters financial difficulties.

Among other things, the Continuing Care Act provides that any provider of continuing care services will be civilly liable to any resident with whom such provider enters into a continuing care contract if, among other things, such provider does not have a COA or has not first delivered a complete and correct Disclosure Statement. The Continuing Care Act fixes such liability at an amount equal to all fees paid by such resident to such provider, less the reasonable value of care and lodging provided to such resident prior to the discovery of the violation giving rise to such liability (or the time of such violation should reasonably have been discovered), plus interest thereon, any court costs, and reasonable attorneys' fees. If Masonic Villages were to be held liable to any resident under the foregoing provisions of the Continuing Care Act, Masonic Villages could be required to pay such resident an amount greater than the refund of any entrance fee to which such resident might otherwise be entitled.

The Continuing Care Act requires any continuing care provider to establish and maintain liquid reserves in an amount equal to or exceeding the greater of: (a) the total of all principal and interest payments due during the ensuing 12 months on account of any mortgage loan or other long-term financing of the continuing care facility; or (b) 10% of the projected annual operating expenses of the facility exclusive of depreciation. Any such provider is required under the Continuing Care Act to notify the Insurance Commissioner in writing at least ten days prior to reducing the funds available to satisfy this reserve requirement and may expend no more than one-twelfth of the required balance in each calendar month. Masonic Villages is meeting the reserve requirement for the Series 1996 Bonds, the Series A of 2008 Bonds, the Series B of 2008 Bonds, the Series D of 2008 Bonds, the Series 2013, the Series 2015 Bonds and the Series 2017 Bonds with its own funds. Management of Masonic Villages believes that the amounts on deposit in the Masonic Villages Reserve Fund and other funds available will provide reserves sufficient to satisfy the foregoing requirement of the Continuing Care Act. See APPENDIX A – **"Minimum Liquid Reserve."**

The Continuing Care Act gives the Insurance Commissioner the right to perform extensive examinations and with respect to a facility that in the judgment of the Insurance Commissioner, is experiencing financial difficulties or is otherwise unable to meet its obligations under continuing care agreements, to exercise certain remedies. The Continuing Care Act specifically requires that in exercising such remedies, the Insurance Commissioner give due consideration to the manner in which the welfare of residents (or former residents to whom amounts may be due) may be best served. The Continuing Care Act also empowers the Insurance Commissioner to take certain actions to protect the interests of residents in such facilities, such as (i) filing a lien (subordinate to the lien of any first mortgage) on the real and personal property of a provider or a facility to secure the obligations of the provider pursuant to its contracts with its current and future residents; (ii) revoking the COA for the facilities; or (iii) seeking the appointment of a trustee to rehabilitate or liquidate a facility. In the event that the Authority or the Trustee should seek to enforce any of the remedies provided by the Loan Agreement upon the occurrence of a default thereunder, it is impossible to predict the resolution of competing claims between the Authority or the Trustee and the residents of the affected Retirement Living Communities who have complied with the terms of their Residents Agreements. Further, the realization of revenues from the sale or leasing of the affected Retirement Living Communities might be adversely affected by the provisions of the Continuing Care Act concerning rehabilitation and liquidation or uncertainty as to the application of such provisions and the associated regulations to a purchaser at a foreclosure sale of the affected Retirement Living Communities. Other sections of the Continuing Care Act may provide other rights to residents of continuing care facilities such as the affected Retirement Living Communities.

Masonic Villages is currently in compliance with and intends to comply fully with the Continuing Care Act; however, failure to maintain such compliance could cause the Insurance Commissioner to take actions described above to protect the interests of residents which could adversely affect the rights of the Series 2017 Bondholders.

Regulation of Personal Care Facilities. Masonic Villages is currently licensed to operate 135 personal care beds in Elizabethtown, 19 personal care beds in Warminster, 64 personal care beds in Sewickley and 51 personal care beds in Lafayette Hill. Personal Care Facilities services are regulated by DHS. Failure to comply with regulatory requirements or future changes in legislation or regulations affecting personal care may impair Masonic Villages' ability to provide such services without incurring certain costs associated with compliance. See APPENDIX A for a description of personal care services provided by Masonic Villages.

Tax-Exemption for Non-Profit Corporations.

Tax-Exempt Status of the Series 2017 Bonds. The exclusion of interest on the Series 2017 Bonds from gross income for federal income tax purposes of Bondholders is based on the continued compliance by the Authority and Masonic Villages with certain covenants contained in the Indenture, the Loan Agreement and certain certificates and agreements executed and delivered in connection with the issuance of the Series 2017 Bonds and the reporting of certain information to the United States Treasury. These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with the proceeds of the Series 2017 Bonds, and requirements regarding the timely and proper use of proceeds of the Series 2017 Bonds. Failure to comply with any of these covenants may result in the treatment of interest on the Series 2017 Bonds as taxable income retroactive to the date of issuance of the Series 2017 Bonds.

Maintenance of Masonic Village's 501(c)(3) Status. The tax-exempt status of the Series 2017 Bonds presently depends upon Masonic Village's maintenance of its status as an organization described in Section 501(c)(3) of the Code. Masonic Villages has been determined by the Internal Revenue Service (the "IRS") to be a tax-exempt organization described in Section 501(c)(3) of the Code. To maintain such status, Masonic Villages must conduct its operations in a manner consistent with representations previously made to the IRS and with current and future IRS regulations and rulings governing tax-exempt health center facilities. Failure to comply with current and future regulations and rulings of the IRS could adversely affect the ability of Masonic Villages to finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2017 Bonds. Although Masonic Villages has covenanted to maintain its status as a tax-exempt organization, loss of tax-exempt status would likely have a significant adverse effect on Masonic Villages and its operation and could result in the includability of interest on the Series 2017 Bonds in gross income for federal income tax purposes retroactive to date of issue. See "TAX EXEMPTION" herein.

Potential for Additional Legislation or Regulation. The tax-exempt status of nonprofit organizations, and exclusion of income earned by such organizations from taxation, has been the subject of review by various federal, state and local legislative, regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to unrelated business income of nonprofit organizations. In recent years, the Subcommittee on Oversight of the House Ways and Means Committee has conducted public hearings on the issue of unfair competition between nonprofit and for profit organizations. Specifically, the hearings focused on the need for changes in the law relating to the taxation of unrelated business income of nonprofit organizations. There can be no assurance that future changes in the laws, rules, regulations and policies governing the taxation of unrelated business income will not have material adverse effects on the future operations of Masonic Villages. In addition, any changes in the law governing the tax-exempt status of either Masonic Villages or the Series 2015 Bonds that would require an increase in the quantity of charity care provided at no charge or reduced rates may adversely affect its operating results.

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

Masonic Villages has entered into several agreements with local taxing authorities providing for annual payments in lieu of taxes with respect to certain of its facilities located at its various campuses in Elizabethtown, Sewickley, Dallas and Lafayette Hill, Pennsylvania. See APPENDIX A – **“Payments in Lieu of Taxes”**. Masonic Village at Warminster received an exemption from real estate taxes from Bucks County Board of Assessment Appeals effective July 1, 2005 which is still in effect. Masonic Village at Lafayette Hill received an additional exemption from real estate taxes from the Montgomery County Board of Assessment appeals on the 60 unit retirement living building in July 2016. The exemption is effective January 1, 2017.

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

Professional Liability and Excess Liability Insurance. In recent years the number of malpractice suits and the dollar amount of patient damages has been increasing nationwide, resulting in substantial increases in professional liability premiums and premiums for excess liability insurance which covers exposure above the limits of the primary insurance coverage. In some areas of the country, professional liability insurance may not be available, or it may only be available at such great cost as to render such insurance economically unavailable. Masonic Villages currently has in effect the professional liability and excess liability insurance coverage required under the Loan Agreement, but there can be no assurance that such insurance will continue to be available. Under the Loan Agreement, Masonic Villages will not be required to maintain such insurance to the extent and for such period as an insurance consultant certifies that such insurance in the amounts required under the Loan Agreement is not available at commercially reasonable rates. To the extent that insurance coverage maintained by Masonic Villages is inadequate to cover judgments made against it, such claims must be discharged by payments from its own funds. Changes in the availability and cost of professional liability may adversely affect the operating results of the Facilities. See APPENDIX A – **”Insurance and Risk Management**.**”**

Other Risks in Health Care Delivery.

Competition and Service Area. The Facilities currently face competition and could face competition in the future from other health care providers that offer comparable health care services to the population which they presently serve. Competition could be increased in the future from the initiation of new health care services and the construction or the renovation of hospitals, long-term care facilities, ambulatory surgical centers, private laboratories and radiological services. No assurance can be given that utilization at the Facilities will not be adversely affected by competition from other health facilities in their primary service area including under Pennsylvania Medicaid’s mandatory managed care program. Their financial performance is also, to some extent, dependent upon the economic vitality of its service area. If there were a general economic downturn in the geographic area served by the Facilities, it could result in a decrease of the population served by one or both of them. See APPENDIX A – **"Competition."**

Changes in Health Care Technology and Services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety outpatient health care delivery practices and telemedicine may reduce utilization and revenues of the Masonic Village's facilities and services in the future. Technological advances in recent years have accelerated the trend toward the use by health care providers of sophisticated and costly equipment or services and continue to be a significant factor in utilization of long-term care facilities, but the ability of Masonic Villages to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations. In addition, nursing facilities are adopting electronic health records (EHRs), or upgrading existing EHR systems, typically at significant expense. In addition, there can be conversion issues, such as interfacing with existing billing and other systems, and when the system is implemented, the de facto inability of the system to meet the facility's specific and changing needs, that can require a further outlay of funds. There is no third-party reimbursement or incentive payments for EHR adoption or upgrades by nursing facilities. See APPENDIX A – **"Potential Affiliations and Partnerships"** and "**Information Technology Improvements**."

Restrictions on Provider Relationships/Fraud and Abuse Issues. A variety of federal and state laws affect a health care provider's ability to enter into business arrangements with other health care providers, suppliers and payers. The Federal Medicare/Medicaid Anti-Kickback Law makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration directly or indirectly in order to induce business for which reimbursement is provided under the Medicare or Medicaid programs. Federal regulations describe certain narrow "safe harbors" that will not be deemed to constitute violations of the Anti-Kickback Law. However, conduct which falls outside of the safe harbors is not necessarily violative of the Anti-Kickback Law. In addition to the Anti-Kickback Law, the IRS is giving greater scrutiny to certain business arrangements entered into by health care providers. IRS has expressed the concern that under certain circumstances, such arrangements may result in prohibited private inurement or private benefit. The IRS has also stated that if an arrangement violates the Anti-Kickback Law, the organization involved in such arrangement could lose its tax-exempt status. There are also other laws, including the federal Stark Law governing physician compensation/ownership arrangements, that permit the government to sanction providers for certain fraudulent activities.

Masonic Villages believes that the relationships it has with other providers, suppliers, payers do not violate the Anti-Kickback Law, the IRS's private inurement provisions, or any other federal or state fraud law. Masonic Villages also has a written Code of Conduct for its employees and has a Compliance Committee to prevent potential violations of laws and government regulations. However, in light of the complexity and vagueness of these laws, there can be no assurance that Masonic Villages will not be investigated, prosecuted, or sanctioned for violations of these laws, or that any sanction would not materially adversely affect the condition of the Facilities.

Claims Processing. Medicare and Medicaid require that extensive and accurate financial and supporting information, including documentation of the medical necessity of services for which payment is sought, be reported on a periodic basis and in a format or content. These requirements are numerous, technical and complex and may not be fully understood or properly implemented by provider billing or reporting personnel. With respect to certain types of classifications of information, the federal False Claims Act and other similar laws may be violated merely by reason of inaccurate or incomplete reports. As a consequence, ordinary course errors or omissions may result in liability. New billing systems or new medical procedures for which there is not clear guidance from CMS may all result in liability under the Medicare False Claims Act. The penalties for violation include criminal and civil liability and may include, for serious or repeated violations, exclusion from participation in the Medicare program. Under recent federal laws, overpayments must be reported within 60 days of discovery. Masonic Villages has established a Compliance Committee to monitor its billing practices for adherence to Medicare and Medicaid regulations. However, there can be no assurance that the Nursing Facilities have not violated the False Claims Act, or whether any relating sanction would materially adversely affect the condition of the Facilities.

Audits. Health care providers are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare, Medicaid and commercial programs. Medicare has adopted the Recovery Audit Program (RAC) to audit Medicare participating providers. The RACs have caused widespread delays in payment reconciliation. Applicable regulations and guidelines may provide for withholding payments in certain circumstances. While the Masonic Villages does not anticipate that a substantial withholding or audit adjustment will be made under the government or commercial programs, there can be no assurance that, if such withholdings or audit adjustments were to be assessed, they would not have a material adverse effect on the financial position of Masonic Villages. Medicare is actively auditing and investigating nursing facilities for regulatory compliance, for instance with respect to staffing levels.

Labor Union Activity. The employees of Masonic Villages are not affiliated with, belong to or are represented by a labor union. There can be no assurance that this will continue in the future, although management is not aware of any union activity at this time.

Access to Care in Long-Term Care Facilities. Some states have acted to prohibit discrimination in long-term care facility admissions against Medicaid-eligible patients. There can be no assurance that legislation requiring the admission of patients on a first-come, first-served basis will not be enacted and, if enacted, such legislation could adversely affect the ability of Masonic Villages to maintain adequate numbers of private-pay patients to meet its financial needs.

Environmental Matters. Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, operations, facilities and properties owned or operated by health care organizations. Among the types of regulatory requirements faced by health care organizations are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the health care organization; requirements for training employees in the proper handling and management of hazardous materials and wastes; and other requirements. In their role as owners and operators of properties or facilities, health care providers may be subject to liability for investigating and remedying any hazardous substances that have come to be located in the property, including any such substances that may have migrated off of the property. Typical health care organization operations include, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous materials, wastes, pollutants or contaminants. For this reason, provider operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their cost or both; may result in legal liability, damages, injunctions or fines, or may trigger investigations, administrative proceedings, penalties or other government agency actions. There can be no assurance that the Facilities 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 Facilities.

At the present time, management of Masonic Villages are not aware of any pending or threatened claim, investigation or enforcement action regarding environmental matters that would have material adverse consequences upon the Facilities.

Enforceability of Remedies. The remedies granted to the Trustee and the holders of Series 2017 Bonds upon an Event of Default under the Indenture and the Loan Agreement may be dependent upon judicial actions which are often subject to discretion and delay. Under existing law, the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the provisions of the Indenture and Loan Agreements by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the rights of creditors generally.

The security interest in the Gross Revenues of Masonic Villages granted to the Authority and assigned to the Trustee pursuant to the Loan Agreement may be subordinated to the interest and claims of others in several instances. Examples of cases of subordination or prior claims are: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) present or future prohibitions against assignment in any federal statutes or regulations; (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (v) federal bankruptcy laws which may affect the enforceability of the Indenture or assignments of revenues by Masonic Villages before or after any effectual institution of bankruptcy proceedings by or against Masonic Villages; (vi) rights of third parties in Gross Revenues converted to cash and not in the possession of the Trustee; and (vii) claims that might arise if appropriate continuation statements are not filed in accordance with the Uniform Commercial Code, as from time to time in effect. Pursuant to the Indenture, the Authority is required to file or cause to be filed continuation statements and other documents necessary to protect and preserve the security and interest in Gross Revenues granted to secure the Series 2017 Bonds. Failure to file such statements could subject the Trustee's rights in such collateral to the claims of intervening creditors.

The federal bankruptcy laws may delay or otherwise adversely affect the ability of the Trustee and the owners of the Series 2017 Bonds to enforce their claim to the security in

Masonic Village's Gross Revenues and certain other property granted by the Indenture. Federal bankruptcy law permits adoption of a reorganization plan, even though it has not been accepted by the holders of a majority if aggregate principal amount of the Series 2017 Bonds, if the owners of the Series 2017 Bonds are provided with the benefit of their original lien or their "indubitable equivalent." In addition, if the bankruptcy court concludes that owners of the Series 2017 Bonds have "adequate protection," it could under certain circumstances (1) substitute other security for the security provided by the Indenture for the benefit of the owners of the Series 2017 Bonds and (2) subordinate the lien and security interest of the registered owners of the Series 2017 Bonds to (a) claims by persons supplying goods and services to the bankrupt after the bankruptcy and (b) the administrative expenses of the bankruptcy proceeding. In the event of the bankruptcy of Masonic Villages, the amount realized by the owners of the Series 2017 Bonds might depend, among other factors, on the bankruptcy court's interpretation of "indubitable equivalent" and adequate protection" under the then-existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Indenture and the Loan Agreement that make bankruptcy and related proceedings by Masonic Villages an event of default thereunder.

Other Possible Risk Factors. The occurrence of any of the following events, or other unanticipated events, could adversely affect the financial position or results of operations of Masonic Villages:

(1) unionization, employee strikes and other adverse labor actions that could result in a substantial increase in expenditures without a corresponding increase in revenues;

(2) adoption of federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of Masonic Villages;

(3) imposition of federal wage and price controls for the health care industry;

(4) establishment of rate review and regulation programs in the Commonwealth;

(5) efforts by insurers and governmental agencies to limit the cost of health care services and to reduce the utilization of health care facilities;

(6) cost and availability of energy;

(7) availability of nurses and other qualified health care personnel. In recent years, a nationwide shortage of nurses has caused some health care facilities to temporarily reduce their number of operational beds or pay higher than usual salaries to temporary nurses;

(8) the inability to obtain required governmental approvals to undertake projects necessary to remain competitive as to rates and charges as well as quality and scope of care;

(9) cost and availability of medical malpractice and other insurance;

(10) reduced demand for the services of the Facilities that might result from decreases in the population;

(11) natural disasters, including floods and earthquakes, which could damage the Facilities or otherwise impair the operation of the Facilities and the generation of revenues from the Facilities;

(12) increased unemployment or other adverse economic conditions in the service area of the Facilities which would increase the proportion of patients who are unable to pay fully for the cost of their care; or

(13) any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Facilities.

TAX MATTERS

Federal Tax Laws.

Numerous provisions of the Internal Revenue Code of 1986, as amended (the "Code"), affect the issuers of state and local government bonds, such as the Authority, and impair or restrict the ability of the Authority to finance projects on a tax-exempt basis. Failure on the part of the Authority or Masonic Villages to comply with any one or more provisions of the Code, or any regulations under the Code, could cause interest on the Series 2017 Bonds includable in the gross income of the owners thereof for purposes of federal income tax retroactively to the date of issuance of the Series 2017 Bonds. Among these provisions are more restrictive rules relating to: (a) investment of funds treated as proceeds of the Series 2017 Bonds; (b) the advance refunding of tax-exempt bonds; (c) the use of proceeds of the Series 2017 Bonds to benefit private activities or activities not consistent with the charitable purposes of the Masonic Villages. In addition, under the Code, the Authority and Masonic Villages on its behalf are required to file an information return with respect to the Series 2017 Bonds and, if applicable, to "rebate" to the federal government certain arbitrage profits on an ongoing basis throughout the term of the issue constituting the Series 2017 Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2017 Bonds may affect the tax status of interest on the Series 2017 Bonds.

Other provisions of the Code affect the purchasers and holders of certain state and local government bonds such as the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on (a) indebtedness incurred or continued to purchase or carry certain state or local government bonds, such as the Series 2017 Bonds, or, (b) in the case of a financial institution, that portion of a financial institution's interest expense allocated to interest on certain state or local government bonds, such as the Series 2017 Bonds, unless the issuer of the state or local government bonds designates the bonds as "qualified tax-exempt obligations" for the purpose and effect contemplated by Section 265(b)(3)(B) of the Code (the Authority **HAS NOT** designated the Series 2017 Bonds as "qualified tax exempt obligations" under Section 265(b)(3)(B) of the Code, as such phrase is defined in the Code); (ii) certain corporations must take into account interest on certain state or local government bonds, such as the Series 2017 Bonds, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations; (iii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(1) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest and amounts treated as such on certain state or local government bonds, such as the Series 2017 Bonds; (iv) interest on certain state or local government bonds, such as the Series 2017 Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) if a Subchapter S corporation has passive investment income (which passive investment income will include interest on state and local government bonds such as the Series 2017 Bonds) exceeding 25% of such Subchapter S corporation's gross receipts and if such Subchapter S corporation has Subchapter "C" earnings and profits, then interest income derived from state and local government bonds, such as the Series 2017 Bonds, may be subject to federal income tax under Section 1375 of the Code; and (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on certain state or local government bonds such as the Series 2017 Bonds.

Tax Exemption.

In the opinion of Bond Counsel, assuming continuing compliance by the Authority and Masonic Villages with certain certifications and agreements relating to the use of bond proceeds and covenants to comply with provisions of the Code and any applicable regulations thereunder, now or hereafter enacted, interest on the Series 2017 Bonds is not includable in the gross income of the holders of the Series 2017 Bonds under Section 103(a) of the Code and interest on the Series 2017 Bonds is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes, except as described under the caption "Federal Tax Laws" above. Other provisions of the Code will affect certain purchasers and holders of the Series 2017 Bonds. See "Federal Tax Laws" above.

In the opinion of Bond Counsel under the laws of the Commonwealth of Pennsylvania, the Series 2017 Bonds and interest on the Series 2017 Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption shall not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Series 2017 Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Series 2017 Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania.

The Authority and Masonic Villages will issue their respective certifications regarding the facts, estimates and circumstances in existence on the date of delivery of the Series 2017 Bonds and regarding the anticipated use of the proceeds of the Series 2017 Bonds. In addition, the Authority and Masonic Villages will certify that, on the basis of the facts, estimates and circumstances in existence on the date of issuance of the Series 2017 Bonds, the Authority and Masonic Villages did not reasonably expect to use the proceeds of the Series 2017 Bonds in a manner that would cause the Series 2017 Bonds to (i) be or become "arbitrage bonds," as defined in Section 148 of the Code, or (ii) not be considered "qualified 501(c)(3) bonds" as defined in Section 145(a) of the Code.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium.

The 2017 Bonds bearing interest at a rate of 2.625% and maturing on November 1, 2022; and bearing interest at a rate of 3.375% and maturing on November 1, 2027; are herein referred to as the "Discount Bonds." In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the inside cover page and the stated redemption price at maturity of each such Bonds constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Commonwealth tax treatment of original issue discount.

The 2017 Bonds bearing interest at a rate of 3.00% and maturing on November 1, 2017; bearing interest at a rate of 4.00% and maturing on November 1, 2020 and November 1, 2021; bearing interest at a rate of 5.00% and maturing on November 1, in the years 2023 through 2026 inclusive and 2028 through 2031 inclusive; and bearing interest at a rate of 5.00% and maturing on November 1, in the years 2033 through 2037 inclusive; are hereinafter referred to as the "Premium Bonds." An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017 Bonds for federal income tax purposes. It is not binding on the IRS or the courts.

Bond Counsel's engagement with respect to the Series 2017 Bonds ends with the issuance of the Series 2017 Bonds.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

Regulations, Future Legislation.

Under the provisions of the Code, the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code, which could affect the tax-exemption or tax consequences of holding tax-exempt obligations, or both, such as the Series 2017 Bonds. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to tax-exempt bonds of a state or local government unit, such as the Commonwealth, or the taxability of interest in general. Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2017 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2017 Bonds.

No representation is made or can be made by the Commonwealth, or any other party associated with the issuance of the Series 2017 Bonds as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Series 2017 Bonds to federal income taxes or so as to otherwise affect the marketability or market value of the Series 2017 Bonds. The consequences could affect the value of the Series 2017 Bonds and tax-exempt bonds generally. The likelihood of such legislation being enacted or whether the currently proposed terms will be altered or removed during the legislative process cannot be reliably predicted.

PROSPECTIVE PURCHASERS OF THE SERIES 2017 BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

EACH PURCHASER OF THE SERIES 2017 BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

LITIGATION

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2017 Bonds, or in any way questioning or affecting the validity of the Series 2017 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or in any way questioning or affecting the validity of the pledge or application of any money, revenues or security provided for the payment of the Series 2017 Bonds, the use of the Series 2017 Bonds proceeds, the validity of the Loan Agreement or the existence or powers of the Authority.

There is no litigation currently pending or, to the knowledge of Masonic Villages, threatened against Masonic Villages or affecting its properties which is not fully covered by commercial liability or workers compensation insurance or self-insurance or which, if determined adversely to Masonic Villages, would have a material adverse effect upon the financial condition of Masonic Villages.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the bonds will be subject to the approving opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel whose opinions will be delivered at the time of the delivery of the Series 2017 Bonds in substantially the form attached hereto as APPENDIX D. The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2017 Bonds and to the tax-exempt status of interest thereon as described in the section "Tax Exemption." Bond Counsel has not been engaged to investigate the financial resources of Masonic Villages or its ability to provide for payment of the Series 2017 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Series 2017 Bonds.

Certain legal matters will be passed on for Masonic Villages by its special counsel, Stevens & Lee P.C., Reading, Pennsylvania, for the Authority by McNees Wallace & Nurick LLC, Lancaster and Harrisburg, Pennsylvania and for the Underwriters by Duane Morris LLP, Philadelphia, Pennsylvania.

RATINGS

Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned an underlying rating of "A" (Stable Outlook) to the Series 2017 Bonds. Such rating reflects only the view of S&P at the time the ratings were given and any explanation of the significance of such rating may be obtained from S&P. Such rating is not a recommendation to buy, sell or hold the Series 2017 Bonds. There is no assurance that such rating will not be withdrawn or revised downward by S&P and neither the Authority, Masonic Villages nor the Underwriters make any representations as to the appropriateness of such ratings. Such action, if taken, could have an adverse effect on the market price of the Series 2017 Bonds.

Neither the Authority, Masonic Villages nor the Underwriters have undertaken any responsibility after issuance of the Series 2017 Bonds to assume maintenance of such rating, to bring to the attention of holders of the Series 2017 Bonds any proposed revision to or suspension or withdrawal of such rating or to oppose any such revision, suspension or withdrawal.

FINANCIAL STATEMENTS

The financial statements of Masonic Villages included in APPENDIX B of this Official Statement have been audited by Smith Elliott Kearns & Company, LLC, independent certified public accountants, to the extent and for the period indicated in their report thereon in APPENDIX B.

UNDERWRITING

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), the senior underwriter of the Series 2017 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2017 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

Financial S&Lutions LLC, Reading, Pennsylvania, is serving as financial advisor (the “Financial Advisor”) to Masonic Villages in connection with the preparation, authorization, issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Financial S&Lutions LLC is a registered municipal advisor and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTAIN RELATIONSHIPS

Financial S&Lutions LLC, an affiliated business of Stevens & Lee, P.C., Bond Counsel, is serving as Financial Advisor to Masonic Villages in connection with the preparation, authorization, issuance and sale of the Bonds.

CONTINUING DISCLOSURE

In order to satisfy the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, Masonic Villages will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement”) with the Trustee and Digital Assurance Certification, LLC (“DAC”), as Dissemination Agent (“Dissemination Agent”), for the benefit of the owners of the Series 2017 Bonds to annually provide, through the Dissemination Agent, certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”), through Electronic Municipal Market Access System (“EMMA”) and to provide notice to the MSRB of certain events, pursuant to the requirements of the Rule. See APPENDIX E **– “Form of Continuing Disclosure Agreement.”**

Masonic Villages discovered in late 2014 that certain operating data for Fiscal Years 2009 and 2010, certain material event notices and quarterly financial statements (provided on a voluntary basis) for certain quarters in Fiscal Years 2011, 2012 and 2013 were either not filed and/or filed under the wrong CUSIP number on the EMMA website by a previous dissemination agent. Masonic Villages reviewed the EMMA website and caused the missing information consisting of the operating data for Fiscal Years 2009 and 2010 and certain material event notices to be filed or re-filed on the EMMA website as of January 12, 2015. Masonic Villages filed all the missing quarterly financial statements (provided on a voluntary basis) for certain quarters in Fiscal Years 2011, 2012 and 2013 on or before January 23, 2015. Masonic Villages discovered on January 17, 2017 that it had not posted a separate failure to file notice for certain annual operating data for Fiscal Years 2009 and 2010 (the “2009 and 2010 Annual Operating Data”), which 2009 and 2010 Annual Operating Data was posted on the EMMA website on January 12, 2015. Masonic Villages has posted on or before January 20, 2017 the separate failure to file notice for the 2009 and 2010 Annual Operating Data.

Under the Disclosure Agreement, the remedy for a breach or default by Masonic Villages of its covenants to provide annual financial information and notices will be an action to compel specific performance and no monetary damages may be recovered under any circumstances. A breach or default under the Disclosure Agreement will not constitute an Event of Default under the Indenture or the Loan Agreement.

The Authority is not required to provide disclosure regarding its financial condition because, among other things, its financial condition is not material to an investment in the Series 2017 Bonds. In addition, the Authority has no responsibility for Masonic Villages’ compliance with the Disclosure Agreement or for the information provided by Masonic Villages thereunder.

CONCLUDING STATEMENT

All estimates assumptions, statistical information and other statements contained herein, while taken from sources considered to be reliable, are not guaranteed by the Underwriter or the Authority. So far as 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 information contained herein should not be construed as representing all conditions affecting the Authority, Masonic Villages or the Series 2017 Bonds. Additional information may be obtained directly from the Authority or Masonic Villages. The statements in APPENDIX C relating to the Indenture and the Loan Agreement are summarized and in all respects are subject to and qualified in their entirety by express reference to the provisions or such documents in their complete form, and by reference to laws and principles of law and equity relating to or affecting generally the enforcement of creditors’ rights.

The agreements of the Authority are set forth in such documents, and the information assembled herein is not to be construed as a contract with registered owners of the Series 2017 Bonds. Information with respect to Masonic Villages, its operations, the use of the proceeds of the Series 2017 Bonds and the Project set forth in this Official Statement has been supplied by Masonic Villages and the Authority has relied upon Masonic Villages with respect to the accuracy and sufficiency of such information and makes no representation or warranty, express or implied, as to the accuracy or completeness of such information. Similarly, the Authority did not prepare the summaries of the principal bond documents, the Series 2017 Bonds or any information relating to the Book-Entry Only System for the Series 2017 Bonds and makes no representations or warranty regarding the same.

The contents hereof pertaining to the Authority and the distribution hereof have been approved by the Authority. The contents hereof starting with the cover page and including the following material, are all part of this Official Statement and have been approved by the Masonic Villages.

The execution of this Official Statement has been duly authorized by the Authority.

LANCASTER COUNTY HOSPITAL AUTHORITY

By: /s/ Darcy Pollock
Title: Chairperson

MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

By: /s/ Joseph E. Murphy
Title: Chief Executive Officer

APPENDIX A

Masonic Villages of the
Grand Lodge of Pennsylvania

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APPENDIX A
MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

Background and History

Masonic Villages of the Grand Lodge of Pennsylvania ("Masonic Villages") is a Pennsylvania non-profit corporation which has been determined to be exempt from federal income tax as an organization described in Section 501 (c)(3) of the Code. The Grand Lodge of Free and Accepted Masons of Pennsylvania (the "Grand Lodge") is the sole member of Masonic Villages.

Effective January 1, 2013, Masonic Homes of the Grand Lodge of Free and Accepted Masons of Pennsylvania, an unincorporated charitable unit of the Grand Lodge determined by the Internal Revenue Service ("IRS") to be an organization described in Section 501 (c)(3) of the Code ("Masonic Homes"), transferred all of its assets, properties, licenses, rights and liabilities comprised of a system of five senior living facilities, a children's home and various community based services (situated on campuses located at Elizabethtown (MVE), Warminster (MVW), Sewickley (MVS), Lafayette Hill (MVLH) and Dallas (MVD), Pennsylvania) to Masonic Villages.

These campuses are referred to, collectively and individually as "Masonic Villages" for marketing and business purposes. Services provided at its Campuses as of September 30, 2016 include:

Elizabethtown campus:

- a 453 bed nursing facility providing nursing care (Nursing Home);
- 983 units of Retirement Living consisting of apartments and cottages;
- A 135 bed personal care facility (Personal Care);
- a 40-bed home for disadvantaged children (Children's Home);
- meeting and conference facilities;
- an Outreach program;
- an Adult Daily Living program;
- Child Day Care program;
- an 8 bed Residential care program (Residential Care) for developmentally disabled adults;
- a 1,000-acre farm

Warminster campus: a 43 bed nursing facility and 19 beds of personal care.

Sewickley campus: a 128 bed nursing facility, 60 beds of personal care, 272 units of Retirement Living Apartments and Villas and a Child Day Care program as of September 30, 2016.

Lafayette Hill campus: a 60 bed nursing facility, 39 beds of personal care, and 158 units of Retirement Living Apartments.

Dallas campus: 83 units of Retirement Living Apartments and Cottages as of September 30, 2016.

Masonic Villages also provides significant financial support to the Pennsylvania Masonic Youth Foundation and The Masonic Library and Museum of Pennsylvania.

Mission Statement

Masonic Villages caring communities and services assist individuals, families and children in realizing their potential and enjoying the highest possible quality of life through the traditions of Freemasonry.

Masonic Villages "Mission of Love" Values

Quality of Life: Masonic Villages treats each individual with dignity and compassion, with a focus on the wellness of body, mind and spirit. Masonic Villages provides a stable, nurturing, home for its' children, with opportunities for continued growth. Masonic Villages offers programs and services that help its' youth develop fundamental life skills and moral values as they grow into adulthood.

Respect for the Individual: Masonic Villages values and respects the individuality and contributions of its' residents, employees, volunteers and donors, and is committed to recognizing their efforts and accomplishments.

Quality Service: Masonic Villages' staff are ambassadors of the Masonic Villages. All that they say and do reflects upon the reputation of the organization and the level of integrity in which it desires to operate. Through servant leadership, its' staff provides quality services and support without regard to an individual's financial status.

Outreach: Masonic Villages extends services and shares its' resources through diversified outreach services to benefit individuals in the community.

Equal Housing Opportunity: Masonic Villages is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. Masonic Villages encourages and supports an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin.

CORPORATE STRUCTURE AND GOVERNANCE

Board of Directors

Masonic Villages is governed by the Board of Directors (the "Board"), composed of six officers of the Grand Lodge and seven other members of the Grand Lodge elected annually. The Board is responsible for approval of strategic planning and vision for Masonic Villages. Additionally, the Board establishes the admissions policy and approves personnel policies and an annual operating budget that includes a capital expenditure plan. The Board appoints a Chief Executive Officer with administrative responsibility for Masonic Villages.

The following is a list of the current members of the Board. All Membership terms expire on December 27, 2017.

Name	Occupation
Raymond T. Dietz [(1)]	Retired
S. Eugene Herritt [(2)]	Sales Executive, Fortney Packages and an adjunct professor at Shippensburg University
Thomas Gamon, IV [(3)]	Owner, Gamon Electric, Inc.
Jeffrey M. Wondering [(4)]	Area Sales Representative, Flynn's Tire
Jeffrey W. Coy [(5)]	Retired
Mark A. Haines [(6)]	R. W. Grand Secretary
Bruce A. Robinson	General Manager, Laurel Valley Golf Club
Kevin C. McCann	Owner & Vice Chairman, Advanced Driver Training Services, Inc.
Kim W. Jeffries	Retired Construction Professional
John F. Pyfer	Retired Attorney at Law
William H. Dickey	Retired
Adam C. Heese	Senior Tax Analyst, Kennamental, Inc.
David L. Reiner	Chiropractor

[(1)] R.W. Grand Master; [(2)] R.W. Deputy Grand Master; [(3)] R.W. Senior Grand Warden; [(4)] R.W. Junior Grand Warden; [(5)] R.W. Grand Treasurer; [(6)] R.W. Grand Secretary.

Board Committees

The Board of Directors has both Grand Lodge and Masonic Village committees to handle assigned responsibilities, including the following:

- Committee on Finance (Grand Lodge)
- Administrators of the Pension Plan (Grand Lodge)
- Trustees of the Consolidated Fund (Grand Lodge)
- Masonic Village Board of Directors
  - Admissions, Home Assistance and Resident Services Committee
  - Building and Grounds Committee
  - Financial and Gift Planning Committee
  - Human Resources Committee

Subsidiaries

- Ashlar Home Health and Hospice Services, LLC (AHH), owned and operated by Masonic Villages, was formed in November 2016 in response to a growing need for Medicare-certified home health services, particularly in Elizabethtown. Once licensed and certified, AHH intends to provide home health services in addition to our other home and community based programs to existing residents and to those living in the general community. AHH is a not-for-profit company. Masonic Villages is the sole member of AHH. See page A-33 for more information.
- Ashlar Creative Solutions, LLC (ACS) is a consulting and management company owned and operated by Masonic Villages. ACS leverages the strength and expertise of Masonic Villages' leadership team to provide valuable services to other mission-focused organizations. ACS is a for-profit company. Masonic Villages is the sole member of ACS. See page A-33 for more information.

- Acacia Services, LLC (AS) is a management services company owned and operated by Masonic Villages. This company was formed for the purpose of managing and operating certain facilities ancillary to Masonic Villages Retirement Communities. It currently manages the food services operations at the clubhouse at the Masonic Village at Dallas. AS is a for-profit company. Masonic Villages is the sole member of AS.
- Pennsylvania Acacia Insurance Company, LTD (PAIC), owned and operated by Masonic Villages, was created in December 2002. PAIC was formed so Masonic Villages could self-insure certain healthcare and professional liability insurance policies. PAIC is a not-for-profit company. Masonic Villages is the sole member of PAIC.

Management

The professional management staff of Masonic Villages includes the following individuals:

Joseph E. Murphy, joined the Masonic Villages in 1974, and he served as executive director/CEO for the Masonic Villages from January 1983 to December 1997. With the growth to multiple locations he became chief executive officer of the Masonic Villages' operations at Dallas, Elizabethtown, Lafayette Hill, Sewickley and Warminster, PA in 1998. He is also CEO, Board Member, and consultant with Ashlar Creative Solutions, LLC and Ashlar Home Health & Hospice Services, LLC. Mr. Murphy received his Bachelors of Business Administration degree at Pennsylvania State University. He is a licensed PA Nursing Home Administrator. He is President and Board Member of Acacia Services and PA Acacia Insurance Co. (Vermont Captive). Mr. Murphy was appointed by the governor and served on the Intra-Governmental Council on Long Term Care from 1998 to 2005 and on the Pennsylvania Senior Care and Services Study Commission from May 2008 to November 2010. He is a past president of the Masonic Communities & Services Association; he served as a member of the House of Delegates for LeadingAge; and is a past president of the board of directors for LeadingAgePA.

Beth A. Bossert, is chief operating officer-health care services for the Masonic Villages. She has been employed at the Masonic Village at Elizabethtown since 1993, first as staff development assistant, then assistant director of nursing services, director of nursing and administrator of health care services and hospice. She serves as the chief operating officer of health care services for all Masonic Villages locations. She provides leadership and administrative oversight for setting objectives, planning, staffing, implementing and directing the activities for all health care services across the organization. She also consults for Ashlar Creative Solutions and is President, Ashlar Home Health & Hospice Services, LLC. Prior to her employment with Masonic Villages, she served as a registered nurse, nurse supervisor and director of nursing for multiple health care facilities from 1987 to 1996. She earned her bachelor's degree in 1987 from the University of Pittsburgh. She is a licensed nursing home administrator. She is a board member of Kairos and LeadingAge Scholarship Committee.

Raymond E. Tierney joined the Masonic Villages in 1981. He was promoted to the position of chief operating officer – retirement living services for all Masonic Village locations in April 2003 after serving as administrator of retirement living for the Elizabethtown campus since 1988. He provides leadership in determining, implementing and benchmarking best practices in services and marketing for the retirement living areas at the Elizabethtown, Sewickley, Lafayette Hill and Dallas locations, and consults for Ashlar Creative Solutions. Mr. Tierney received his bachelor's degree from Elizabethtown College and his master's degree in public administration from the Pennsylvania State University. He is a licensed Nursing Home Administrator and a certified Retirement Housing Professional Fellow (RHPF) through LeadingAge. Mr. Tierney is a Board Member and Vice President of Acacia Services, LLC and Board Member, Secretary and consultant for Ashlar Creative Solutions, LLC and Secretary for Ashlar Home Health & Hospice Services, LLC. He is a former board member of the Elizabethtown Public Library and the Elizabethtown Economic Development Corporation board of directors where he served as finance committee chair.

William J. Prazenica is chief financial officer for Masonic Villages. He had been employed by Masonic Villages as Controller from 1979 until May 1992, and has served in his current position since that date. Mr. Prazenica received his bachelor's degree in 1976 from Clarion University of Pennsylvania. He is a member of the American Institute of Certified Public Accountants, the Pennsylvania Institute of Certified Public Accountants and the Healthcare Financial Management Association. Mr. Prazenica serves as a board member and treasurer for the following: Pennsylvania Masonic Youth Foundation, Northwest Emergency Medical Services, Inc., Ashlar Creative Solutions, LLC, Pa. Acacia Insurance Company (Vermont Captive), Acacia Services, LLC and Ashlar Home Health & Hospices Services, LLC. He also consults for Ashlar Creative Solutions, LLC.

Beverly A. Sweigart has been employed with Masonic Villages since 1986 and was promoted to chief administration officer in 2011. She is responsible for the planning and organizing of the administrative functions for the executive level, and for the day-to-day operations of the administration department, board of directors, office of the chief executive officer, public relations, information technology and event planning offices. She also consults for Ashlar Creative Solutions, LLC.

Cindy Phillips is the Executive Director of Masonic Village at Elizabethtown, a continuing care retirement community in Pennsylvania serving over 1,900 residents. After more than a decade of running her own consulting practice, Dr. Phillips assumed this role bringing along her diverse operational experiences from the healthcare, financial services, transportation and technology industries. She earned her Bachelors of Science in Finance from Towson University, her M.B.A. from St. Joseph's University and her Doctorate from the Fielding Graduate University. Dr. Phillips has served on several non-profit boards and as a volunteer with local youth athletic programs.

Eric L. Gross was named executive director for the Masonic Village at Sewickley in 2009. Prior to joining Masonic Village's leadership, he held various leadership positions for Erickson Retirement Communities, lastly serving as senior vice president, Mid-Atlantic, Mid-West Regional where he was responsible for operations at eight retirement communities. Mr. Gross earned bachelor's degrees in both management and psychology from the University of California at San Diego. He has experience as a Continuing Care Retirement Community surveyor for the Continuing Care Accreditation Commission/Commission on Accreditation of Rehabilitation Facilities (CCAC/CARF). Prior to moving to Pittsburgh, he served as president of the board of directors for The Arc of Baltimore and as a board member since 2004. He currently serves as a board member of the Valley Care Association.

Adrienne M. Staudenmayer has worked at the Masonic Village at Lafayette Hill, formerly the Masonic Home of Pennsylvania since 1988. A licensed Nursing Home Administrator, she has served as executive director since 2001. Ms. Staudenmayer earned her bachelor's degree from Gwynedd Mercy College. She is a member of Leading Age, a national association of non-profit senior services providers, and LeadingAgePA. Ms. Staudenmayer is a 2008/2009 and 2016 participant of the LeadingAgePA Consumer Education Task Force, has served on the Public Policy Committee and was a participant in the 2007, 2012, 2015 and 2016 Distinguished Service Awards Task Force. She has also been an advocacy member for the past several years. Ms. Staudenmayer served on the Time and Place Committee for

Masonic Communities & Services Association from 2002-2003 and served as secretary to the board of directors of the Masonic Home of Pennsylvania. She consults for Ashlar Creative Solutions, LLC.

Noah P. Davis has served as executive director for the Masonic Village at Dallas and Irem Clubhouse since 2010. He received his bachelor's degree in hotel, restaurant and institutional management from Penn State University and his master's degree in public administration, health care policy from Binghamton University. He is a Northeast Public Health Leadership Institute Scholar, a doctoral student (DrPH) at the University at Albany. Mr. Davis has worked in the long term care field for 27 years; he is a licensed nursing home administrator. Before his employment with Masonic Village, he worked for the New York State Department of Health as the assistant administrator at the New York State Veterans' Home at Oxford. Mr. Davis was previously the general manager for Sodexho Senior Services for 19 years. Mr. Davis is a Board Member and Executive Director for Acacia Services, LLC and he consults for Ashlar Creative Solutions, LLC and is an Advisory Board member for the Luzerne & Wyoming County Area Agency for Aging.

Kelly Weaver serves as executive director of the Masonic Village at Warminster, where she is responsible for managing all facets of the community's operations including ensuring all residents needs are met and providing leadership to staff in service enhancement, quality improvement and regulatory compliance. She previously served as assistant executive director for the Masonic Village at Lafayette Hill since 2012. Ms. Weaver earned her bachelor's degree in psychology from DeSales University, Center Valley, PA and her master's degree in counseling psychology and human service from Chestnut Hill College, Philadelphia. She is a licensed nursing home administrator and completed coursework in personal care home administration. Prior to joining Masonic Village, Weaver worked for six years at Manatawny Manor, Pottstown, PA where she progressed to the position of executive director, responsible for the overall operations of the campus and for developing strategic plans. She also was previously employed by DeSales University, and Via of the Lehigh Valley, Bethlehem, PA.

Alvin H. Blitz is chief director of gift planning for the Masonic Charities of the Grand Lodge of Pennsylvania, which consist of the Masonic Villages, the Pennsylvania Masonic Youth Foundation. The Masonic Library and Museum of Pennsylvania and the Masonic Charities Fund. He joined the organization in 2001 and is responsible for designing, planning and executing short and long range fundraising programs for each of the Masonic Charities. He also consults for Ashlar Creative Solutions. Prior to joining the Masonic Charities of the Grand Lodge of Pennsylvania, Mr. Blitz served as general counsel and director of gift planning for the American Heart Association, where he was responsible for the oversight and implementation of the planned giving and major gifts program for the Pennsylvania/Delaware region, including bequest administration and legal affairs. Before that he worked as an attorney for the law firms of Eckert Seamans Cherin & Mellott, LLC, and Hetrick, Zaleski & Pierce. Mr. Blitz holds a bachelor's degree from the University of Scranton, a master's degree from Fairleigh Dickinson University and a juris doctorate from Dickinson School of Law. He has been treasurer since 1997 for St. John's Episcopal Church, Carlisle, Pa; was the past president of the Estate Planning Council of Central Pennsylvania and is a past board member of the Greater Philadelphia Planned Giving Council. He was a past speaker on the subject of estate administration at the National Committee on Planned Giving Annual Conference in 2003 and the Association of Fundraising Professionals International Conference in 2005. He is a Board Member and consults for Ashlar Creative Solutions, LLC.

Claudia J. Stephens has worked at the Masonic Village at Elizabethtown since December 1977, serving initially as a social worker and then as the director of admissions and resident services. She was named to her present position in 2007. Ms. Stephens chairs the organization's human resources leadership team and is responsible for the overall strategic direction of the human resources and organization development and training areas. She plans and directs employment, compensation, benefits, organization development and training, employee relations and succession planning for all Masonic Villages locations. As chair of the Corporate Wellness Committee, Ms. Stephens leads Masonic Villages' wellness initiative and strategic planning. She has assumed the responsibilities for the organization as the corporate compliance officer. She is a Board Member and Vice President of PA Acacia Insurance Co., LTD. She also consults for Ashlar Creative Solutions, LLC. Ms. Stephens has a bachelor's degree in social work from Elizabethtown College.

Patrick J. Sampsell joined Masonic Villages in 2006 as the chief environmental and facilities officer. He is responsible for assisting all five Masonic Village campuses in successfully completing planning and construction related activities. Additionally, he originated and continues to oversee the Masonic Villages' Energy Efficiency initiative and plays a prominent role in promoting sustainability within the organization. Other duties include the acquisition of real estate and the evaluation of facilities for merger or acquisition. As a member of the executive team, he plays a substantial role in setting future priorities for the organization. He is a Board Member and consults with Ashlar Creative Solutions, LLC. Prior to joining the Masonic Villages, Mr. Sampsell spent 15 years in private practice as a Professional Engineer and Planner. During that tenure, he received multiple awards for his comprehensive planning efforts. Mr. Sampsell has been published in national planning journals and has given numerous presentations to technical and community bodies. He retired from the Pennsylvania Army National Guard in 2011 with the rank of major after having served 20 years, including one tour of duty in Afghanistan. Mr. Sampsell holds bachelor's and master's degrees in civil engineering from Bucknell University, Lewisburg, Pa. He also holds a juris doctor in law from Widener University in Harrisburg, Pa. He obtained his Professional Engineer Certification in 1997, was admitted to the Pennsylvania Bar in 1998, and received his AICP certification in planning in 2001.

Donald R. Johnston joined Masonic Villages as chief information officer in 2011. He is responsible for providing vision and leadership for all aspects of the organization's information and telecommunications technology initiatives. He identifies opportunities for the appropriate and cost-effective investment in information technology systems and resources, including staffing, sourcing, purchasing and in-house development. He also consults for Ashlar Creative Solutions. Mr. Johnston previously held various leadership positions with Lancaster General Health, Lancaster, Pa; Christiana Care health System in Wilmington, Del.; Thomas Jefferson University in Philadelphia; and the Children's Hospital of Philadelphia. Prior to joining Masonic Villages, Mr. Johnston served as a principal healthcare consultant for Hayes management Consulting, Inc., in Newton, Mass. He holds a bachelor's degree in economics and a master's degree in computer science, both from Queen's University in Kingston, Canada. He is a member of the Healthcare Information and Management Systems Society, the College of Healthcare Information Management Executives and is a 2007 graduate of the Society for Information Management Regional Leadership Forum.

Jennifer S. Schwalm joined Masonic Villages as chief mission development officer in January 2013. Ms. Schwalm is responsible for leading the evaluation, development and implementation of strategic initiatives to grow the organization while supporting its core mission. She is a Board Member, President and consultant for Ashlar Creative Solutions, LLC. She serves as Masonic Villages' liaison with outside organizations interested in pursuing project developments, mergers, acquisitions or joint ventures. Prior to joining Masonic Villages' corporate executive leadership team, Ms. Schwalm was a partner with ParenteBeard overseeing the Senior Living Services Consulting Group. Her career also includes approximately 12 years at KPMG in the senior living services practice. Ms. Schwalm earned her bachelor's degree in business administration from Shippensburg University and is a certified public accountant in Pennsylvania. Ms. Schwalm was selected as one of Pennsylvania's Best 50 Women in Business for 2009. She has spoken before professional and educational groups at numerous conferences, including LeadingAge, and various other state associations and provider affiliation groups.

Employees

Masonic Villages maintains an average of 2,422 employees (1,262 Full-time, 1,160 Part-time) at all its locations. The following is a breakdown by location:

	Corporate	Elizabethtown	Sewickley	Lafayette Hill	Warminster	Dallas	Acacia Services
Full-time	103	795	193	104	50	5	12
Part-time	17	693	188	138	57	1	66
Total	120	1,488	381	242	107	6	78

Masonic Villages experienced an average annualized turnover rate of 16% in 2016. Masonic Villages values its employees, and provides competitive compensation and benefits. There is no affiliation with organized labor.

Employment consideration is on the basis of capability and availability without regard to race, color, ancestry, age (40 and older), gender, national origin, religious, creed, disability (mental or physical), marital status, citizenship status, veteran status, sexual orientation, limited English proficiency, and genetic information. Masonic Villages has a culturally diverse workforce with entry level positions and many positions requiring educated, licensed and credentialed professionals. To protect the interest of its employees and residents, Masonic Villages is committed to an alcohol and drug-free work environment. Masonic Villages requires drug screening for post-offer employment. Masonic Villages performs background investigations, criminal history checks and license verification or credentialing (if appropriate) on each job applicant prior to employment.

Masonic Villages provides a comprehensive employee benefit program, including paid time off (vacation, flex time, holiday); bereavement leave; life, health, vision and dental insurance; short-term and long-term disability; employee assistance program; 403 (b) retirement plan, wellness program and educational assistance.

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OPERATIONS OF MASONIC VILLAGES

	Masonic Village at Elizabethtown	Masonic Village at Sewickley	Masonic Village at Lafayette Hill	Masonic Village at Warminster	Masonic Village at Dallas
Retirement Living	X	X	X		X
Skilled Nursing	X	X	X	X	
Personal Care	X	X	X	X	
LifeCare		X			
Adult Daily Living Center	X				
Children's Home	X				
In-House Pharmacy	X	X			
Bleiler Caring Cottage	X				
Child Day Care Center	X	X			
Wellness	X	X	X	X	X
Outreach	X	X	X	X	X
Volunteering	X	X	X	X	X
Home Care	X	X			
Hospice	X				
Spiritual Care	X	X	X	X	
Memory Support Care	X	X			
Rehabilitation Services	X	X	X	X	

Services offered

Retirement Living – Retirement Living offers a lifestyle that suits individual budgets with selections ranging from studios to apartments to cottages. Masonic Villages offers a variety of living options under entrance fee or rental fees. A lifecare plan is offered at Sewickley.

Nursing/Long Term Care – Masonic Villages offers around the clock nursing care within the neighborhoods of the Masonic Health Care Centers. Each neighborhood features its own recreational area, dining room, pantry, kitchen settings, a shower room, family room and audio/visual equipment. Each suite has furnishings, including a bed, dresser, bedside table, chair and television. Residents are encouraged to personalize their home with photographs and other items to make it their own.

Personal Care – For individuals needing some daily assistance, Masonic Villages' personal care offers the comfort and security of 24/7 care amidst numerous amenities. Residents receive a helping hand with dressing, bathing, laundry, taking medications and more. Residents are able to pursue their interests and engage with others through events and activities.

Lifecare – As a lifecare community, Masonic Village at Sewickley offers residents personal care and skilled nursing services, should they ever be needed, within the same monthly fee structure as they pay for retirement living services.

Adult Daily Living – The Adult Daily Living center on Masonic Villages' Elizabethtown campus serves individuals age 18 and older with functional, physical, social or cognitive impairments. Staff develop a care plan for each participant based on his/her specific needs. Participants have the option of receiving support for personal care needs, such as bathing and shaving, and can take advantage of additional services offered on campus, including beauty and barber appointments.

Bleiler Caring Cottage (Residential Care Program) – The Bleiler Caring cottage is home to eight adults with mild to moderate developmental disabilities who receive support that enables them to live as independently as possible.

Pharmacy - Masonic Villages at Elizabethtown and Sewickley offer in-house pharmacy services to serve the residents of those campuses.

Children's Home – The Masonic Children's Home cares for up to 40 youth who are orphaned, being raised by aging grandparents, or who come from various social or economic environments which do not provide the security and support necessary for healthy growth and development. The youth live on Masonic Village's campus and attend the public school district. The Children's Home also provides financial support to graduating seniors who want to pursue higher education.

Child Day Care Center – Masonic Villages at Elizabethtown and Sewickley offer a Child Day Care Center, managed by Bright Horizons Family Solutions, providing quality child care services for children, ages 6 weeks to 11 years. The center offers a full-day PA Department of Education licensed kindergarten program, a summer camp for children in 1st through 5th grades, and before and after school programs.

Wellness Centers - The wellness centers provide Masonic Villages' residents and members from the surrounding community the opportunity to enhance the overall wellness of their bodies, minds and spirits. The following programs are offered at Masonic Village at Elizabethtown via the Baird Wellness Center: Fitness equipment, Three pools: Brossman outdoor pool, Patton indoor pool & Flohr indoor pool & spa, Massage therapy, Wellness resource library, Group fitness & aquatic classes - open to members & non-members (costs will vary), Personal training & wellness programs, Relaxation room and Healing Touch. The Masonic Village at Sewickley Barley Wellness Center, includes a fitness center, spa and indoor pool. Masonic Village at Lafayette Hill also provides residents with a wellness center to suit their fitness needs.

Outreach – The Outreach program provides free information on community services, personal care and skilled care, and government and state programs which assist individuals in need. Finding and obtaining medical equipment can be difficult and expensive. Masonic Village's Medical Loan Closet provides necessary equipment for short term use without cost to families. While the majority of Masonic Villages' services are available to everyone in the community, the Outreach Program has designated the following services for Pennsylvania Freemasons and their families: Home Assistance, Panel of Attorneys and Finance Panel.

Volunteering - Volunteers are invaluable to the mission of Masonic Villages. They assist with everything from escorting residents to in-house appointments to helping with creative arts to socializing with residents. In return, volunteers meet new friends, learn different skills, develop new interests and make a difference in residents' lives.

Home Care - Home care is a vital service, enabling clients to receive the assistance they need to remain in their home for as long as possible. Masonic Villages at Elizabethtown and Sewickley provide this service as part of the continuum of services. Clients may request services on an hourly, daily, regular or temporary basis. They receive a comprehensive initial assessment and consultation for care/safety needs by a registered nurse. Masonic Villages will tailor a plan to bring the services to their doorstep. Services include:

- Taking care of pets, plants, mail, etc., while client is away
- Transportation to/from medical or non-medical appointments
- Help with preparing for company/hosting a party
- Assistance with shopping/running errands
- Cleaning out closets, basement, garage
- Doing laundry, dishes and other household chores
- Providing around-the-clock companionship
- Handling meal planning and preparation
- Assistance with hygiene care

Home Health – Masonic Villages at Elizabethtown plans to offer licensed Home Health Services to its residents and others via its' Ashlar Home Health subsidiary (AHH) before the end of the second quarter of 2017.

Hospice – Hospice services focus on the physical, emotional, social and spiritual needs of patients while providing support for their loved ones. Masonic Villages at Elizabethtown provides this service as part of the continuum of services. These services are covered by Medicare, Medicaid and most private insurance plans. Masonic Villages is committed to providing care regardless of a patient's financial circumstances. Masonic Villages provides in-home or on-site hospice care for those suffering from end of life illnesses. Compassionate care and palliative services focus on the physical, emotional, social and spiritual needs of patients and their loved ones. 24 hour support with visits is provided as needed.

Short Term Rehabilitation Services – Clients receive the additional care they need in order to safely return to their home following a hospital stay. Masonic Villages at Elizabethtown and Sewickley transitional care units have private and semi-private renovated suites and comprehensive care teams available to help clients recover from injuries or illnesses that limit their ability to function at their best. Transitional care may benefit individuals who have experienced:

- Orthopedic conditions, including hip fracture, total joint replacement or amputation
- Strokes
- Cardiac events (congestive heart failure, heart attack, coronary artery bypass grafting)
- Respiratory conditions
- Diabetes complications
- Infections

Spiritual Care – Masonic Villages at Elizabethtown and Sewickley provide non-denominational worship services, choirs, Bible study and outreach ministry to both residents and community members. Volunteers and consultants provide similar services at Lafayette Hill and Warminster.

Memory Support Care – Masonic Villages provides loved ones with Alzheimer's disease and other related dementias with designated neighborhoods where staff maintain their dignity, respect and safety within a secure environment. Each neighborhood is designed so staff can target programs to meet the needs of each resident in a specific stage of dementia. Neighborhoods offer a recreational area, dining room, family room and audio/visual equipment.

CAMPUS DESCRIPTION

Masonic Village at Elizabethtown

Masonic Village at Elizabethtown, located on more than 1,400 acres in Lancaster County, PA, is a continuing care retirement community and children's home to more than 1,900 residents. Masonic Village at Elizabethtown offers 665 retirement living apartments (suites and studios), and 318 retirement living cottages, available in a variety of floor plans.

Masonic Village at Elizabethtown accommodates 135 personal care residents and is Medicare and Medicaid certified for 453 units in the Masonic Health Care Center. The Masonic Health Care Center is divided into neighborhoods where residents may receive nursing services, including specialized attention for individuals with dementia, focusing on optimizing their interests and abilities to enjoy life to the fullest.

The Masonic Children's Home is home to up to 40 school-aged youth who live on campus and attend the Elizabethtown Area School District.

The Bleiler Caring Cottage is home to eight adults with mild to moderate developmental disabilities.

All residents have access to outpatient, clinical, subacute and healthcare services. On campus amenities include indoor swimming pools, picnic pavilions and walking paths. Residents enjoy the art studio, model railroad club, billiards, bocce courts, computer center, creative arts educational programs, gardening, libraries, musical groups, woodworking shop, worship services, wellness center and more.
In addition, the Freemasons Cultural Center and Masonic Conference Center accommodate resident and staff programming, meetings and additional requests made by the fraternity and community. The Freemasons Cultural Center area hosts ballrooms, a multimedia center, museum, visitor's center, recreation areas, formal gardens, Masonic Lodge and dining areas/café. Community services include adult day care center, Outreach program, pharmacy, Veterans Grove with the eternal flame, and farm market.

Masonic Village at Sewickley

Masonic Village at Sewickley, located on 60 acres in Aleppo Township, Pennsylvania, approximately 10 minutes from downtown Pittsburgh, is a lifecare community offering continuing care retirement services and amenities to 580 residents.

Masonic Village at Sewickley offers 44 retirement living villas/cottages and 228 retirement living apartments available in a variety of floor plans and square footage. The clubhouse features a bank, two restaurants, computer resource center, convenience store, salon, art studio, library, and administrative offices to serve retirement living residents. A woodworking shop is located on campus.

The Sturgeon Health Care Center is Medicare and Medicaid certified and offers 88 private accommodations and 20 private suites with shared bathrooms. The Star Points building features 62 personal care apartments, all with kitchenettes and private bathrooms.

An array of personalized services is available to all residents, such as scheduled transportation, religious and fraternal programs, and on-site hair salon services. A Wellness center offers residents a complete fitness facility, Jacuzzi and large indoor pool. A dining room, great room, assembly room and terraces are just a few of the shared amenities available, as well as convenient medical clinics and a child care center which facilitates intergenerational activities.

Masonic Village at Lafayette Hill

Masonic Village at Lafayette Hill, located in Montgomery County, Pennsylvania is approximately 30 minutes from downtown Philadelphia, and offers continuing care retirement services and amenities for approximately 285 residents.

Masonic Village at Lafayette Hill offers 158 retirement living apartments in a variety of floor plans. Personal care features 39 single and deluxe units. A Medicare and Medicaid certified community, the Masonic Village at Lafayette Hill offers 60 skilled nursing accommodations along with rehabilitative services.

Recreational opportunities on campus include an in-house bowling alley, putting green, computer lab, art classes, billiards, woodworking shop, wellness center, auditorium for live entertainment, volunteer opportunities, intergenerational programs and religious services.

For residents' convenience, the campus has a hair salon, dining room, and gift shop, and offers scheduled transportation services to local shopping centers and cultural events.

Masonic Village at Warminster

Masonic Village at Warminster, located in Bucks County, Pennsylvania is approximately 20 minutes from downtown Philadelphia, and is a Medicare and Medicaid certified skilled nursing and personal care facility.

Masonic Village at Warminster offers 43 nursing care units and 19 personal care accommodations.

Residents may choose to participate in various leisure programs and outings, as well as religious services and beautifully landscaped courtyards to enjoy a picnic, music or educational programs. Masonic Village at Warminster has transfer agreements with area hospitals for inpatient and outpatient services, and a physician is on call at all times, adding to the care residents receive. The mission of the Masonic Village at Warminster includes serving individuals in Philadelphia County who are day-one Medicaid recipients.

Masonic Village at Dallas

Masonic Village at Dallas, located in Luzerne County, Pennsylvania is approximately 15 minutes from Wilkes-Barre, and is an active golf retirement community, offering 38 retirement living villas/cottages and 45 retirement living apartments.

Masonic Village at Dallas offers residents access to a clubhouse featuring a bistro/bar with deck space, a private dining room and a ballroom for special events in addition to the country club's premier golf course.

Masonic Village at Dallas has established relationships to allow residents the opportunity to take advantage of recreational, wellness, cultural, educational and social resources within the surrounding community. Through preferred provider agreements with select healthcare services providers within close proximity to the Masonic Village, residents have access to personal care and/or healthcare services, should they ever need them. Residents also have access to any of the Masonic Villages' healthcare facilities in Elizabethtown, Lafayette Hill, Sewickley and Warminster, PA.

Fee Schedules

In November, 2016, the Board approved the 2017 fees for its existing facilities. The fees in effect as of January 1, 2017 will be as follows:

<u>Masonic Village at Elizabethtown</u>

Village Green Area and Retirement Living Rental Apartments

Unit Type	Entrance Fee	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Village Green Area Rental Apartments:			
One Bedroom Studio	NA	$1,714	$2,273
One Bedroom Deluxe Studio	NA	$1,839	$2,429
Standard Suite	NA	$2,136	$2,803
Retirement Living Rental Apartments:			
Deluxe Suite	NA	$2,253	$2,816
One Bedroom Apartment	NA	$2,439	$3,005
One Bedroom Deluxe Apartment	NA	$2,632	$3,192
Two Bedroom Apartment	NA	$3,323	$3,888

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Retirement Living Entrance Fee Units

Unit Type	Entrance Fee (Declining Balance Plan)	Entrance Fee (90% Refundable Plan)	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Apartments (Connected to Clubhouse):				
One Bedroom	$128,100	$204,960	$1,643	$2,296
Two Bedroom	$167,200	$267,520	$1,878	$2,530
Two Bedroom/Balcony	$188,200	$301,120	$2,011	$2,659
Two Bedroom/Den	$214,500	$343,200	$2,062	$2,712
Cottages (connected to Clubhouse):				
One Bedroom	$177,800	$284,480	$2,113	$2,760
Two Bedroom	$236,600	$378,560	$2,345	$2,994
Terrace units	$3,600	$5,760	-	-
Optional Covered Parking			$135 (monthly)	$135 (monthly)
Cottages (1997 Expansion):				
Two Bedroom/1.5 Bath	$180,400	$288,640	$2,001	$2,657
Two Bedroom/2 Bath	$205,800	$329,280	$2,145	$2,803
Two Bedroom/2 Bath/Den	$241,700	$386,720	$2,355	$3,014
Two Bedroom/2 Bath (Two Story)	$233,500	$373,600	$2,204	$2,863
Two Bedroom/2 Bath/Den (Two Story)	$271,100	$433,760	$2,431	$3,088
Cottages (2004 Expansion):				
Two Bedroom	$216,300	$346,080	$2,240	$2,921
Two Bedroom/Basement	$291,900	$467,040	$2,331	$3,013
Two Bedroom/Den	$251,600	$402,560	$2,384	$3,047
Two Bedroom/Basement/Den	$336,200	$537,920	$2,516	$3,180
Sycamore Apartments:				
One Bedroom/Balcony (Unit AS)	$129,600	$207,360	$1,802	$2,521
Two Bedroom/Balcony (Unit BS)	$169,000	$270,400	$2,030	$2,682
Two Bedroom Deluxe/Balcony (Unit BD)	$206,800	$330,880	$2,070	$2,732
Two Bedroom/Den/Balcony (Unit CS)	$220,500	$352,800	$2,108	$2,781
Two Bedroom/Den/Balcony (Unit CD)	$259,700	$415,520	$2,297	$3,032
Covered Parking Service – Standard	$18,600	$29,760	-	-
Covered Parking Service – Handicapped	$23,900	$38,240	-	-
Cottages (2011 Expansion):				
Two Bedroom (Unit 10)	$238,600	$381,760	$1,951	$2,542
Two Bedroom (Unit 10-cathedral ceiling)	$246,400	$394,240	$1,951	$2,542
Two Bedroom (Unit 10-upgraded finish)	$254,100	$406,560	$1,951	$2,542
Two Bedroom/Den (Unit 11)	$283,400	$453,440	$2,219	$2,816
Two Bedroom (Unit 11-upgraded finish)	$298,000	$476,800	$2,219	$2,816
Two Bedroom (Unit 12)	$270,900	$433,440	$2,037	$2,631
Two Bedroom (Unit 12-upgraded finish)	$278,600	$445,760	$2,037	$2,631
Two Bedroom/Den (Unit 13)	$317,300	$507,680	$2,350	$2,949

Unit Type	Entrance Fee (Declining Balance Plan)	Entrance Fee (90% Refundable Plan)	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Cottages (2017 Expansion):				
Two Bedroom (One car garage)	$268,000	$428,800	$1,951	$2,542
Two Bedroom, Den (One car garage)	$320,000	$512,000	$2,219	$2,816
Two Bedroom, Den, Basement (One car garage-small model)	$293,500	$469,600	$2,037	$2,631
Two Bedroom, Den, Basement (One car garage-large model)	$347,200	$555,520	$2,350	$2,949

* Cottages with two-car garages pay additional entrance fees for that feature. The additional entrance fees are offered in both the declining balance and 90% refundable plans.

Masonic Village at Sewickley

Retirement Living Entrance Fee Units

Unit Type	Entrance Fee (Declining Balance Plan)	Entrance Fee (90% Refundable Plan)	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Apartments (Connected to Clubhouse):				
One Bedroom (Unit Type A1)	$129,100	$232,380	$2,481	$3,794
One Bedroom/Deluxe (Unit B1)	$161,600	$290,880	$2,753	$4,067
One Bedroom/Deluxe/Balcony (Unit B2)	$175,500	$315,900	$2,753	$4,067
One Bedroom/Deluxe (Unit B3)	$161,600	$290,880	$2,753	$4,067
Two Bedroom/2 Bath/Balcony (Unit C1)	$205,700	$349,690	$3,223	$4,536
Two Bedroom/2 Bath/Balcony (Unit C2)	$200,000	$340,000	$3,049	$4,361
Two Bedroom/2 Bath/Balcony (Unit C3)	$205,700	$349,690	$3,223	$4,536
Two Bed/2Bath/Deluxe/Balcony (Unit D1)	$260,600	$443,020	$3,324	$4,639
Villas:				
Two Bedroom/2 Bath (1)	$325,100	$520,160	$4,188	$5,501
Two Bedroom/2 Bath/Basement (1A)	$341,500	$546,400	$4,252	$5,579
Two Bedroom/2 Bath/Den (2)	$359,100	$574,560	$4,248	$5,579
Two Bedroom/2 Bath/Den/Basement (2A)	$377,000	$603,200	$4,329	$5,661
Two Bedroom/2 Bath/2 Garage (3)	$359,100	$574,560	$4,188	$5,501
Two Bedroom/2 Bath/2 Garage/Bsmt (3A)	$377,000	$603,200	$4,252	$5,565
Four Bedroom/2 Bath (3B)	$351,500	$562,400	$4,329	$5,661

Masonic Village at Lafayette Hill

Retirement Living Rental Apartments

Unit Type	Entrance Fee	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Retirement Living Rental Apartments:			
One Bedroom Apartment	NA	$3,681	$4,633
Two Bedroom Apartment	NA	$4,562	$5,704

Retirement Living Entrance Fee Units

Unit Type	Entrance Fee (Declining Balance Plan)	Entrance Fee (90% Refundable Plan)	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Apartments (built prior to 2006):				
One Bedroom Apartment	$142,500	$228,000	$2,124	$3,077
One Bedroom Deluxe Apartment	$146,900	$235,040	$2,124	$3,077
Two Bedroom Apartment	$184,300	$294,880	$2,550	$3,693
Two Bedroom Deluxe Apartment	$202,300	$323,680	$2,550	$3,693
Apartments (built in 2006-2007):				
One Bedroom (Unit 1)	$128,400	$205,440	$2,124	$3,077
One Bedroom (Unit 1A)	$146,900	$235,040	$2,124	$3,077
One Bedroom (Unit 1B)	$146,900	$235,040	$2,124	$3,077
One Bedroom (Unit 1C)	$146,900	$235,040	$2,124	$3,077
One Bedroom (Unit 1C Modified)	$151,800	$242,880	$2,124	$3,077
One Bedroom (Unit 1D)	$158,400	$253,440	$2,299	$3,329
One Bedroom (Unit 1E)	$158,400	$253,440	$2,299	$3,329
One Bedroom (Unit 1F)	$164,200	$262,720	$2,356	$3,410
Two Bedroom (Unit 2)	$202,300	$323,680	$2,550	$3,693
Two Bedroom (Unit 2A)	$202,300	$323,680	$2,550	$3,693
Two Bedroom (Unit 2B)	$208,100	$332,960	$2,616	$3,786
Two Bedroom (Unit 2C)	$226,600	$362,560	$2,717	$3,931
Apartments (built in 2014-2015):				
One Bedroom Apartment	$151,800	$242,880	$2,176	$3,132
One Bedroom Apartment/Den	$186,400	$298,240	$2,390	$3,410
One Bedroom Apart/Den/Window	$192,600	$308,160	$2,390	$3,410
Two Bedroom Apartment	$202,300	$323,680	$2,550	$3,693

Masonic Village at Dallas

Retirement Living Rental Apartments

Unit Type	Entrance Fee	Current Resident (Monthly Fee)	New Resident (Monthly Fee)
Retirement Living Rental Apartments:			
One Bedroom/1Bath (Unit A)	NA	$1,056	$1,056
One Bedroom/1Bath/Balcony (Unit A1)	NA	$1,056	$1,266
One Bedroom/1Bath/Deluxe (Unit A2)	NA	$1,144	$1,388
Two Bedroom/2Bath/Balcony (Unit B)	NA	$1,470	$1,688
Two Bedroom/2Bath/Deluxe (Unit B1)	NA	$1,553	$1,809

Retirement Living Entrance Fee Units

Unit Type	Entrance Fee (Declining Balance Plan)	Entrance Fee (Guaranteed Appreciation Plan)	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Apartments:				
One Bed/1 Bath (Unit A)	$88,800	$142,080	$780	$836
One Bed/1 Bath/Balcony (Unit A1-GL)	$95,200	$152,320	$780	$836
One Bed/1 Bath/Balcony (Unit A1)	$98,200	$157,120	$780	$836
One Bed/1 Bath/Deluxe (Unit A2-GL)	$103,200	$164,120	$794	$852
One Bed/1 Bath/Deluxe (Unit A2)	$106,200	$169,920	$794	$852
Two Bed/2 Bath/Balcony (Unit B-GL)	$134,200	$214,720	$821	$881
Two Bed/2 Bath/Balcony (Unit B)	$137,200	$219,520	$821	$881
Two Bed/2 Bath/Deluxe (Unit B1-GL)	$142,200	$227,520	$835	$895
Two Bed/2 Bath/Deluxe (Unit B1)	$145,200	$232,320	$835	$895
Covered Parking – Standard	$15,400	$24,640	-	-
Covered Parking - Handicapped	$18,600	$29,760	-	-
Villas:				
Two Bedroom/1.5 Bath (Unit C)	$147,500	$236,000	$951	$1,007
Two Bedroom/2 Bath/Sunrm (Unit D)	$185,000	$296,000	$1,007	$1,064
Two Bedroom/2 Bath/Sunrm (Unit E)	$205,500	$328,000	$1,077	$1,134
Two Bedroom/2 Bath/Sunrm (Unit F)	$250,000	$400,000	$1,207	$1,263
Two Car Garage - Villas	$20,500-$24,200	$32,800-$38,720	-	-

Retirement Living Entrance Fee Units

Unit Type	Entrance Fee (Modified Declining Balance Plan)	Entrance Fee (Modified Guaranteed Appreciation Plan)	Single Occupancy (Monthly Fee)	Double Occupancy (Monthly Fee)
Villas:				
Two Bedroom/1.5 Bath (Unit C)	N/A	N/A	$1,626	$1,681
Two Bedroom/2 Bath/Sunrm (Unit D)	N/A	N/A	$1,889	$1,947
Two Bedroom/2 Bath/Sunrm (Unit E)	N/A	N/A	$2,038	$2,097
Two Bedroom/2 Bath/Sunrm (Unit F)	N/A	N/A	$2,392	$2,448
Two Car Garage - Villas	N/A	N/A	$69-$70	$69-$70

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Health Centers (Per Diem Rates):

Unit Type	Per Diem Rate
Masonic Village at Elizabethtown:	
Transitional Care Unit (Semi-Private Room)	$439
Transitional Care Unit (Private Room)	$472
Dementia Care Unit (Semi-Private Room)	$374
Dementia Care Unit (Private Room)	$433
Nursing Care Unit (Semi-Private Room)	$352
Nursing Care Unit (Private Room)	$407
Personal Care (Semi-Private Room)	$148
Personal Care (Private Room)	$192
Personal Care (Large Private Room)	$240
Personal Care (Studio and Kitchenette)	$301
Personal Care (Advanced Level 1)	$21
Personal Care (Advanced Level 2)	$42
Adult Day Living	$62.42
Residential Care Program	$129
Incontinence Per Diem Fee – Light (Nursing Care)	$6.95
Incontinence Per Diem Fee – Heavy (Nursing Care)	$17.25
Masonic Village at Warminster:	
Nursing Care Unit (Semi-Private Room)	$350
Nursing Care Unit (Private Room)	$376
Personal Care (Semi-Private Room)	$180
Personal Care (Private Room)	$187
Personal Care (Private Deluxe Room)	$228
Personal Care (Advanced Level 1)	$21
Personal Care (Advanced Level 2)	$42
Incontinence Per Diem Fee – Light (Nursing Care)	$6.95
Incontinence Per Diem Fee – Heavy (Nursing Care)	$17.25

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Health Centers (Per Diem Rates):

Unit Type	Per Diem Rate
Masonic Village at Sewickley:	
Transitional Care Unit (Semi-Private Room)	$402
Transitional Care Unit (Private Room)	$414
Dementia Care Unit (Semi-Private Room)	$348
Dementia Care Unit (Private Room)	$358
Nursing Care Unit (Shared Private Room)	$348
Nursing Care Unit (Private Room)	$358
Personal Care (Studio)	$167
Personal Care (Alcove)	$182
Personal Care (Single Bedroom)	$220
Personal Care (Large Bedroom)	$236
Personal Care (Large Bedroom, Double Occupancy)	$130
Personal Care (Advanced Level 1)	$21
Personal Care (Advanced Level 2)	$42
Incontinence Per Diem Fee – Light (Nursing Care)	$6.95
Incontinence Per Diem Fee – Heavy (Nursing Care)	$17.25
Masonic Village at Lafayette Hill:	
Nursing Care Unit (Semi-Private Room)	$391
Nursing Care Unit (Private Room)	$452
Personal Care (Single Unit)	$223
Personal Care (Deluxe Unit – Single Occupancy)	$230
Personal Care (Deluxe Unit – Double Occupancy)	$180
Personal Care (Advanced Level 1)	$21
Personal Care (Advanced Level 2)	$42
Incontinence Per Diem Fee – Light (Nursing Care)	$6.95
Incontinence Per Diem Fee – Heavy (Nursing Care)	$17.25
Personal Care Entrance Fee (Single Unit)	$8,400
Personal Care Entrance Fee (Deluxe Unit)	$12,600

Eligibility Requirements

Pennsylvania Masons and their families have requested services at various locations and in their current homes. Masonic Villages continues to work to expand its services to accommodate these needs. The Mission enables Masonic Villages to extend high quality services to its friends and neighbors within their communities regardless of whether they have a Masonic connection. While its Villages are built upon and strengthened by Masonic values, Masonic Villages' communities are committed to serving Masons and non-Masons alike. Individuals 60 years of age and older may apply for Retirement Living. For married couples, one spouse needs to be at least age 60 and the other at least age 55.

Charity Care and Community Service

Masonic Villages' mission has been to provide services to residents (both Masons and non-Masons alike), regardless of their ability to pay, who have medical, social or financial need.

Masonic Villages provides services to adult individuals who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Criteria considered in Masonic Villages' charity care policy include the income and net worth of the adult individuals applying for charity care. Adult individuals applying for charity care must also be determined to be ineligible for reimbursement from applicable government programs for the services to be provided. Charity care may be provided to qualifying adult individuals for Personal Care, Retirement Living, Residential Care, and certain medical and nonmedical ancillary services. All services provided in the Children's Home are provided as charity care.

Charges forgone for charity care and the estimated costs of providing charity care were as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Charges forgone	$11,144,034	$10,418,188
Estimated cost to provide charity care	$ 8,977,488	$ 8,923,072

Masonic Villages also participates in the Medicare and Medical Assistance programs which make payment for services provided to financially eligible residents at rates which are less than the cost of such services.

Masonic Villages conducts two programs that benefit people not residing at a Masonic Villages campus. The Home Assistance program (Home Assistance) provides financial resources and other services to Pennsylvania Masons and their families in need. Home Assistance is provided in two forms; charity care and temporary assistance. Masonic Villages has also established an Outreach program (Outreach) to assist individuals in their communities. People contacting Outreach receive information about various aspects of long-term care, including government programs available, selecting a long-term care facility, insurance, transportation, and counseling.

Masonic Villages permits its meeting and conference facilities to be used by multiple not-for-profit organizations and School Districts. Masonic Villages provides a reduced rate for not-for-profit organizations for their use of the meeting and conference facilities.

Masonic Villages makes annual contributions of cash, and in-kind services to non-profit organizations in the communities it serves. Masonic Villages also awards several scholarships each year to individuals. Individuals receiving scholarships include graduating high school students based on academic achievement, financial need, and community service. Scholarships for child day care services are awarded for pre-school age children whose families met certain financial need criteria.

Occupancy

The following table sets forth the occupancy of MVE, MVS, MVW, MVD and MVLH for the years ended December 2013, 2014, and 2015; and for the nine months ended September 30, 2016.

	Years Ended December 31			Nine Months Ended Sept. 30,
	2013	2014	2015	2016
MVE Nursing Facility				
Average Available Beds	436.1	436.5	446.6	453.0
Average Daily Occupancy	424.7	418.7	426.4	435.3
Percent Occupancy	97.4%	95.9%	95.5%	96.1%
MVE Personal Care				
Average Available Beds	125.4	123.8	115.1	120.5
Average Daily Occupancy	122.0	120.0	112.1	112.5
Percent Occupancy	97.3%	96.9%	97.4%	93.4%
MVE Retirement Living				
Average Available Units	950.2	982.0	983.0	983.0
Average Daily Occupancy	890.3	934.1	952.4	943.7
Percent Occupancy	93.7%	95.1%	96.9%	96.0%
MVW Nursing Facility				
Average Available Beds	28.0	28.0	38.7	43.0
Average Daily Occupancy	27.7	27.6	38.3	42.6
Percent Occupancy	98.9%	98.6%	99.0%	99.1%
MVW Personal Care				
Average Available Beds	33.0	33.0	23.1	19.0
Average Daily Occupancy	31.9	32.0	22.5	18.9
Percent Occupancy	96.7%	97.0%	97.4%	99.5%
MVS Nursing Facility				
Average Available Beds	128.2	128.0	128.0	128.0
Average Daily Occupancy	124.9	125.8	124.8	124.7
Percent Occupancy	97.4%	98.3%	97.5%	97.4%
MVS Personal Care				
Average Available Beds	61.6	60.8	60.4	60.8
Average Daily Occupancy	59.5	58.9	57.2	57.9
Percent Occupancy	96.6%	96.9%	94.7%	95.2%
MVS Retirement Living				
Average Available Units	272.0	272.0	272.0	272.0
Average Daily Occupancy	254.1	245.7	249.0	248.2
Percent Occupancy	93.4%	90.3%	91.5%	91.3%
MVLH Nursing Facility				
Average Available Beds	60.0	60.0	60.0	60.0
Average Daily Occupancy	58.7	58.8	58.3	59.0
Percent Occupancy	97.8%	98.0%	97.2%	98.3%
MVLH Personal Care				
Average Available Beds	39.2	40.2	39.9	39.0
Average Daily Occupancy	37.4	39.0	38.8	38.4
Percent Occupancy	95.4%	97.0%	97.2%	98.0%
MVLH Retirement Living				
Average Available Units	98.0	98.0	120.4	158.0
Average Daily Occupancy	93.3	95.1	109.8	148.8
Percent Occupancy	95.2%	97.0%	91.2%	94.2%
MVD Retirement Living				
Average Available Units	83.0	83.0	83.0	83.0
Average Daily Occupancy	66.5	69.6	78.2	82.0
Percent Occupancy	80.1%	83.9%	94.2%	98.8%

Marketing

Sales and Marketing – Masonic Villages maintains top tier occupancy rates with a strong and effective sales and marketing approach through the leadership of the Corporate Marketing Office. The Corporate Marketing Office assists the Director of Sales and Marketing at each location in developing comprehensive annual marketing plans specific to each location and marketplace. The Corporate Office also assists the Director of Sales and Marketing at each location by facilitating and coordinating an annual advertising plan by utilizing resources available from the Corporate Public Relations Department. The plan(s) are reviewed quarterly to determine if any modifications might be necessary due to the changing market and/or economic conditions.

Reporting – To effectively monitor the progress of annual marketing plans, as well as the attainment of corporate goals, Masonic Villages has established comprehensive reporting procedures. Each location is required to report their sales/marketing activities on a weekly basis. Reservations, cancelations, move-ins, occupancy percentages, waiting list data and conversion ratios are include in the weekly report. Conversion ratios (including calls to appointments, appointments to reservations, reservations to move-ins) allow Executive Directors and Corporate Staff to continually measure the effectiveness and closing skills of the sales team. REPS prospect management database software is also used to gather information for reports.

Analysis – To effectively monitor the marketplace and conditions, as well as the competitive nature of our accommodations and services, the Director of Sales and Marketing at each location completes a competitive analysis every six months. This analysis includes entrance and monthly service fees on those communities within the local marketplace that are deemed to be Masonic Villages' competition for services. Each year the analysis is utilized by Corporate Marketing Office to assist in determining appropriate fees for the following year to ensure financial stability for the Masonic Villages and to offer accommodations and services that will allow Masonic Villages to maintain high levels of occupancy.

Incentives – Masonic Villages addresses potential opportunities within the marketplace through the use of creative incentives:

- The Masonic Village at Sewickley (MVS) currently has an incentive to reserve select two-bedroom apartments. Individuals who select one of these apartments will have their monthly service fee waived for up to three months. MVS has had some success with this incentive, and it remains in effect.

- Promissory Note Program - A promissory note program was established in 2008 resulting in the issuance of 284 notes totaling $43,308,995. The notes can be held for up to two years. The first year is at 0% interest and the second year, if approved, is at 5%. There are very few instances where the notes carry over into the second year. Masonic Villages has not had any note repayment issues. This has been Masonic Villages' most successful incentive offered across all of the Pennsylvania communities.

<u>Planning and New Construction</u> –

- The Masonic Villages has successfully planned and pre-marketed 72 new cottages at the Elizabethtown campus. Site work and construction of the new cottages are anticipated to start in April 2017 with completion anticipated by June 2018. Reservations of the new cottages have been strong with 49 total reservations to date with $10,000 deposits. Thirty-five of the 49 reserved cottages have signed resident agreements and a 25% deposit, of which $10,000 is nonrefundable if, for any reason, the prospective resident cancels prior to taking occupancy. The remaining 14 reserved units have $10,000 deposits and will eventually have binding signed resident agreements and the additional financial commitment.

Competition

Masonic Villages of the Grand Lodge of Pennsylvania is a multi-site organization. Masonic Villages has identified the following competitors for each location.

Masonic Village at Elizabethtown, One Masonic Drive, Elizabethtown, PA 17022
Brethren Village – 21 miles
Woodcrest Villa – 17 miles
Homestead Village – 19 miles
Bethany Village – 24 miles
Messiah Village – 26 miles
Cornwall Manor – 18 miles
Willow Valley – 24 miles

Masonic Village at Sewickley, 1000 Masonic Drive, Sewickley, PA 15143
Longwood at Oakmont – 30 miles
Sherwood Oaks – 15 miles
Friendship Village – 19 miles
Providence Point – 15 miles

Masonic Village at Lafayette Hill, 801 Ridge Road, Lafayette Hill, PA 19444
Ann's Choice – 19 miles
Cathedral Village – 2 miles
Shannondell – 12 miles
Brittany Pointe – 18 miles
Gwynedd Estates – 9 miles
Normandy Farms – 11 miles
Spring House Estates – 10 miles

Masonic Village at Dallas, 36 Ridgway Drive, Dallas, PA 18612
Greenbriar Estates – 2 miles
Yalick Farms – 8 miles
Newberry Estates – 3 mile
Dakota Woods – 2 miles
Wesley Village – 11 miles

Payor Mix

Masonic Villages receives a substantial portion of its total revenue from investment income and charitable gifts and bequests, as a result of generous financial support over the years from members, families, and friends of the Masonic fraternity. Due to this support and in keeping with its mission of providing services without regard for the residents' ability to pay, a high percentage of the residents in Masonic Villages' facilities receive charity care, or are covered by the Pennsylvania Medical Assistance (Medicaid) program. In the MVE, MVW, MVS and MVLH Nursing Facilities, Masonic Villages receives Medicaid reimbursement for a substantial majority of the residents, which is not sufficient to cover the full cost of care. The MVE, MVW, MVS and MVLH Nursing Facilities are also Medicare-certified providers. Masonic Villages also provides a high level of charity care to residents in the Personal Care and Retirement Living facilities at all locations. The Board views these high percentages of non-private pay residents as part of Masonic Villages' mission, which is supported by the Masonic fraternity.

The following table summarizes Masonic Villages' payor mix for all locations for Nursing Care, Personal Care, and Retirement Living as a percentage of resident days, for the periods indicated.

	Years Ended December 31			Nine Months Ended September 30,
	2013	2014	2015	2016
Nursing Care				
Private	34.42%	31.95%	32.32%	30.93%
Life care	5.57%	7.10%	7.93%	8.63%
Medicaid	56.33%	56.54%	54.79%	56.36%
Medicare	3.68%	4.41%	4.96%	4.08%
Total	100.00%	100.00%	100.00%	100.00%
Personal Care				
Private	41.87%	40.78%	32.02%	32.94%
Life care	5.36%	6.91%	7.51%	8.35%
Charity care	52.77%	52.31%	60.47%	58.71%
Total	100.00%	100.00%	100.00%	100.00%
Retirement Living				
Private	94.94%	95.14%	94.63%	95.44%
Charity care	5.06%	4.86%	5.37%	4.56%
Total	100.00%	100.00%	100.00%	100.00%

Information Technology

Effective IT systems and support are viewed as a critical corporate asset. Masonic Villages continues to advance its commitment to providing "best-in-class" systems in support of both Administrative and Clinical activities. Masonic Villages is leveraging a modern Wide Area Network to embrace cloud technologies supporting all sites. These include all Administrative Applications as well as those that support Resident and Resident Care.

Capital Improvements

Masonic Villages takes great pride in the quality of its services and invests continually in the improvement, modernization and redevelopment of its campuses in order to remain marketable, attractive and competitive. Masonic Villages' long term plans revolve around its mission and improving its marketability and long term competitiveness.

The following table provides the expenditures for capital improvements over the past three years and a projection for 2016.

Year Ending December 31	Amount
2016 (projected)	$30,000,000 *
2015	37,362,000
2014	42,618,000
2013	32,147,000
Average	$35,532,000

*$20,893,000 expended as of September 30, 2016

2016 capital expenditures have focused on the completion of several strategic initiatives, including:

- Freemason Personal Care Building renovations - Consolidated Dining Rooms were combined into a new dining venue. Increased number of beds from 127 to 135. Project was completed in September 2016. Total cost was $14.3 million.
- Replacement of the HVAC system in the Elizabethtown Retirement Living apartment buildings and clubhouse originally opened in 1990 and the original retirement living apartment buildings opened in 1991. Project completed in 2016 at a cost of $4.4 million.
- Health Care Center Clinical Wing renovations. $4.4 million project was completed in May, 2016. Project included expansion of Rehabilitation suite and consolidation of Hospice, and Home Care offices and new Dental Clinic.
- Grand Lodge Hall at Elizabethtown Phase 1 – This project included a new Wellness Center, 45 new parking spaces, as well as a new transportation canopy. The Wellness Center was relocated to the Freemasons Cultural Center. The total cost of this project was $2.6 million. The Project was completed in October 2016.

- Renovations of interior nursing and personal care rooms at Masonic Village at Warminster. Renovations include new carpet, wallpaper, handrails, window treatments, etc. Estimated cost is approximately $1.4 million.
- Landscape Building – The project is for the construction of a new Landscape Services Building to replace the building that must be torn down to make room for the 72 unit MVE Cottage project. Estimated cost is $1.3 million.
- Woodshop at Masonic Village at Elizabethtown - Partially funded by a contribution from a generous donor, a new woodworking center for residents was constructed at a cost of $2.2 million. This project was completed in September 2016.

The 2017 capital budget of approximately $28 million includes funding for several strategic capital initiatives including:

- Grand Lodge Hall at Masonic Village at Elizabethtown Phase 2 – This project involves renovations of existing space to create new amenities for residents such as multi-media meeting rooms, new dining venues and also includes renovations to the existing food service kitchen. Projected cost $6.6 million.
- Children's Home Renovations at Masonic Village at Elizabethtown – This project includes complete renovations of all Children's Cottages. Projected cost is $2.2 million.
- Retirement Living Clubhouse Renovations at Masonic Village at Sewickley – This project involves upgrades to the current clubhouse at an estimated cost of $3.1 million.
- Veterans Garden at Masonic Village at Sewickley – Project to create an outdoor space in honor of veterans at an estimated cost of $1.8 million. Project to be partially funded with donations.
- Masonic Village at Sewickley Star Points Personal Care – This project includes renovations of various resident common spaces at a projected cost $1.4 million.
- Masonic Village at Elizabethtown Freemason Cultural Center Lodge window replacement – Project involves replacement of original windows installed in 1955 at a projected cost of $1.2 million.

Insurance and Risk Management

Masonic Villages collaborates with their Insurance Consultants, to evaluate risks and to determine risk management solutions to protect its property, people and financial assets. The team determines the right tools to prevent, manage and finance risk. In many cases, insurance has been determined to be the best solution to protect Masonic Village's assets. The following insurance is in place with respect to Masonic's facilities and operations:

Insurance against loss and/or damage to Masonic's facilities written by Travelers Indemnity Company in the amount of $400,000,000 occurrence limit for building and contents for the benefit of Masonic Villages, the Authority, the Contract Managers and the Trustee. The definition of building includes additions under construction, alterations and repairs to the building as well as materials, equipment, supplies and temporary structures on or within 1,000 feet of the premises (used for making alterations or repairs to the building). This policy is written on a replacement cost basis with a $10,000 deductible. Boiler & Machinery coverage is also included under this policy at a sub limit of $100,000,000 for any one accident.

Builders Risk coverage is provided for new construction projects, at a sub-limit of $10,000,000 per occurrence/aggregate. If a construction project has a completed value greater than $10 million, then a separate Builders Risk policy is secured.

Business Income coverage is also included under the Travelers policy at a sublimit of $106,200,000. Coverage is for the benefit of Masonic Villages, the Authority and the Trustee.

Healthcare General Liability insurance also exists for the benefit of Masonic Villages and the Authority. The Insurance is written with Ironshore Specialty Insurance Co. and provides coverage limits of $1,000,000 per occurrence and $3,000,000 aggregate. Employee Benefits Liability coverage is included on this policy at limits of $1 million per claim, $3,000,000 aggregate.

Professional Liability insurance is placed with Ironshore for the benefit of Masonic Villages and the Authority. Non-skilled Healthcare Coverage is claims-made at limits of $1 million for each medical incident and $3 million aggregate.

Skilled Healthcare Professional Liability insurance is also provided with Ironshore. Coverage is claims-made at limits of $500,000 each medical incident and $1.5 million aggregate. The Pennsylvania Medical Liability Catastrophe Fund provides additional coverage limits of $500,000 each medical incident and $1.5 million aggregate.

Masonic Villages has assumed a $5 million layer of self-insured healthcare general and professional liability through its wholly owned captive insurance company. (Pennsylvania Acacia Insurance Company) This $5 million layer is excess of the underlying coverages provided by Ironshore's policy and the Pennsylvania Medical Liability Catastrophe Fund.

An additional Excess Healthcare Liability policy has also been purchased from Ironshore Specialty Insurance Co. This policy provides excess coverage of $5 million per claim and $5,000,000 aggregate overtop of the aforementioned liability policies and the $5 million self-insured layer.

Automobile Liability insurance is written by Charter Oak Fire Insurance Company at a combined single limit of liability of $1,000,000 for each accident for the benefit of Masonic Villages and the Authority.

Workers Compensation coverage is in effect with Eastern Advantage Assurance Co. This policy provides statutory limits of coverage for Workers Compensation in the state of Pennsylvania as well as Employers Liability coverage at limits of $500,000 each Accident/$500,000 per Disease/$500,000 aggregate Disease. The Workers Compensation coverage is subject to a $500,000 deductible per claim with a $1,500,000 aggregate.

Excess Liability insurance is covered under a policy with Travelers Property Casualty Company of America. This policy sits on top of the Auto and Employers Liability coverages. Coverage limits are $5,000,000 per occurrence and $5,000,000 aggregate.

Employee Dishonesty coverage is written with Allied World Specialty Ins. Co. The limit for employee dishonesty is $1,000,000 per loss with a $25,000 deductible.

Other coverages include Pollution Liability with Great American, Directors & Officers Liability with Allied World, Fiduciary Liability with Allied World and Cyber Liability Coverage with Beazley Insurance.

Litigation

There is no litigation pending or, to Management's knowledge, threatened against Masonic Villages which, in the aggregate and after insurance coverage, would have a material adverse effect on the operations or financial condition of Masonic Villages.

Environmental Matters

Management is not aware of any material environmental problems relating to its properties.

Investments

Earnings on the investment portfolio of Masonic Villages represent a significant source of income. Masonic Villages' investment portfolio has three primary components: assets whose use is limited under the Indenture, perpetual trusts held by third parties, and investments in the Consolidated Fund.

Assets reserved under the Indenture are held by the Trustee and consist of short-term investments. As of September 30, 2016, these investments totaled approximately $2,360,000, with a fair value of approximately $2,360,000.

Perpetual trusts held by third parties are typically established by a will of a donor and are held by various financial institutions. The types of investment held by the trust, the percentage of Masonic Villages' beneficial income from the trust, and the timing of investment income distributions are all determined by the wishes the donor established in the trust. As of September 30, 2016, the estimated book value of Masonic Villages' interests in perpetual trusts held by third parties totaled approximately $24,045,000, with a fair value of approximately $40,540,000.

All other investments of Masonic Villages are pooled with related Pennsylvania Masonic organizations and held in a Consolidated Fund. This Consolidated Fund is managed by sixteen different investment management firms, and is held for safekeeping by JP Morgan Chase Bank, N.A. Investments in the Consolidated Fund consist of short-term investments, United States government obligations, debt instruments of government agencies, corporate bonds, municipal bonds, common stock and mutual funds.

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As of September 30, 2016, the Consolidated Fund held the following investments (unaudited):

	Cost Basis	Fair Value
Domestic stocks	$119,447,242	$152,611,231
International stocks	32,795,989	32,979,181
U.S. Government & Agency bonds	15,224,265	15,538,787
Corporate bonds	101,133,963	102,483,805
Municipal bonds	9,009,477	9,142,294
Mutual funds – equity securities	56,604,919	62,842,853
Exchange traded funds	194,794,378	190,144,170
Limited partnership-international investments	320,253	380,861
Mortgage backed securities	26,696,243	27,133,908
Asset backed securities	33,778,260	34,128,849
Real estate investment trusts	1,013,913	1,123,903
Money market funds / other temporary investments	63,215,349	63,215,349
Totals	$654,034,251	$691,725,191

Source: JP Morgan Chase Bank, N.A. records

Gross unrealized gains and losses for the investments were $58,037,016 and ($20,346,076), respectively, as of September 30, 2016.

Masonic Villages' share of the Consolidated Fund as of September 30, 2016 was as follows:

	Cost Basis	Fair Value
Unrestricted	$371,451,726	$374,692,586
Temporarily restricted	3,916,989	4,003,056
Permanently restricted	226,036,128	239,958,063
Totals	$601,404,843	$618,653,705

OTHER INFORMATION

Strategic Initiatives

Masonic Villages' strategic plan for the next two years is focused on additional sources of revenue, cost reduction, exploring potential partnerships and affiliations, various strategic capital improvement projects, and a multi-year capital campaign.

Pension Plan Termination

Masonic Villages has a defined benefit pension plan covering substantially all employees as of December 31, 2010. In September 2010, the Administrators of the Pension Plan adopted an amendment to the noncontributory defined benefit pension plan. The amendment resulted in ceasing all benefit accruals as of December 31, 2010. Grand Lodge and Masonic Villages will terminate the defined benefit pension plan when the plan's assets equal or exceed the projected benefit obligation. When this occurs, the defined benefit pension plan will purchase annuity contracts from insurance companies to provide the guaranteed retirement income for eligible employees. The plan may also be amended and lump sum payments issued to certain participants. Masonic Villages contributed an aggregate total of $15,600,000 to the Plan during the years ended December 31, 2015, 2014 and 2013. The Administrators of the Pension Plan also adopted a resolution to implement a defined contribution retirement plan effective January 1, 2011. The defined contribution retirement plan, which is funded by contributions from both the employer and employees, replaced the defined benefit pension plan.

Potential Affiliations and Partnerships

Changes in the delivery and financing of post acute services are driving physicians, hospitals and post acute providers towards a single lump sum payment for a complete episode of care. This lump sum payment drives the coordination of care and requires providers to work together as partners with shared accountability. The Center for Medicare and Medicaid Services has several different initiatives to generate cost savings and improve quality by moving from fee-for-service to bundled payments.

In response to market requests and in preparation for this new payment structure, Masonic Villages has developed transitional care units at Elizabethtown and at Sewickley, care management follow-up and coordination, quality dashboard quarterly reporting to our key referral health systems and periodic meetings with our health system partners to discuss strategies. This also includes looking at possible partnerships, insurance companies with hospital networks and bundled payment awardee conveners to go at risk by participating in bundled payment projects to develop partnerships before they become mandatory, to become a preferred provider in the early stages of payment transformation, to refine care pathways to deliver more efficient cost-effective quality care and to gain a better understanding of the expectations under a potential new payment methodology. As added support to the care continuum, Masonic Villages has established home and community based programs (Medicare-certified home health, hospice, homecare, and adult daily living).

Masonic Villages continues to explore potential affiliations or acquisitions as opportunities arise. These opportunities are evaluated based upon some of the following criteria:

- Ability to support the Mission of Masonic Villages from a service perspective and financially.
- Access to residents and families within a two hour drive.
- Ability to help Masonic Villages meet the changing health care payment environment and position the organization for a future of accountable care.

Capital Campaign

Masonic Villages' Office of Gift Planning began the quiet phase of a Capital Campaign on January 1, 2015 with the campaign going public in May 2016. The campaign goal was increased from $50 million to $60 million in 2016 with more than $46 million currently committed to the campaign. The current commitments consist of approximately $27 million of cash contributions and approximately $19 million in deferred gifts.

Information Technology Improvements

During 2015 and 2016, Masonic Villages devoted significant resources to continue the advancement of information technology initiatives. A new system supporting Membership provides an important foundation for Gift Planning data is now live. The sunset of the legacy Clinical/Resident System is now complete, replaced by the leading software solution for the Senior Market. Complementing it is a new Cloud-based implementation supporting Pharmacy Operations. Most recently, a new Point of Sale solution to support Dining Operations at all locations went live.

Ashlar Home Health and Hospice Services, LLC – Subsidiary

Ashlar Home Health and Hospice Services, LLC (AHH), owned and operated by Masonic Villages was formed in November 2016 in response to a growing need for Medicare-certified home health services, particularly in Elizabethtown. Once licensed and certified, AHH intends to provide home health services in addition to our other home and community based programs to existing residents and to those living in the general community.

Management Consulting and Development Services – Subsidiary

Ashlar Creative Solutions, LLC (ACS) is a consulting and management company owned and operated by Masonic Villages. ACS leverages the strength and expertise of Masonic Villages' leadership team to provide valuable services to other mission-focused organizations.

ACS provides management solutions and assists senior services providers with strategies to improve their operations. ACS offers;

- Management services
- Development services for new or expanded programs and services
- Operational mission review, including revenue enhancements and efficiency measures
- Fundraising consulting services
- Strategic planning services
- Staff Education

Succession Planning

One of Masonic Villages' strategic organizational goals is to promote career growth and development through continuing education that supports its succession planning process. Masonic Villages has been focusing its efforts on the corporate, executive and director level positions within the organization. Masonic Villages systematically reviews these positions in five year increments to determine vacancies due to future retirements. Masonic Villages looks internally and externally to identify potential candidates, providing mentoring opportunities and offering tuition reimbursement for required education.

Minimum Liquid Reserve

Masonic Villages is licensed as a continuing care provider by the Commonwealth of Pennsylvania's Insurance Department (PAID). In accordance with this licensure, Masonic Villages must establish and maintain certain minimum liquid reserves. Masonic Villages' minimum liquid reserve amount equals the greater of the next twelve months of long-term debt service (Debt Service Method) or 10% of the operating expenses excluding depreciation (Operating Expense Method). Masonic Villages' governing body, the Board of Directors, has designated a portion of the Masonic Villages Reserve Fund to satisfy this minimum liquid reserve requirement. On October 31, 1996, PAID approved this approach to comply with the minimum reserve requirement.

The minimum required reserve amounts calculated under the Debt Service Method were $11,474,737 and $14,933,463 for fiscal years ended December 31, 2015 and 2014, respectively. The minimum required reserve amounts calculated under the Operating Expense Method were $15,969,405 and $15,085,386 for fiscal years ended December 31, 2015 and 2014, respectively. The fair value of the Masonic Villages Reserve Fund at December 31, 2015 and 2014 totaled $182,952,086 and $199,124,448, respectively.

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Contributions

The following table illustrates the level of contributions received by Masonic Villages for the fiscal years ended December 31, 2013, 2014 and 2015, and the nine months ended September 30, 2015 and 2016:

	Years Ended December 31 (audited)			Nine Months Ended September 30 (unaudited)	
Unrestricted	2013	2014	2015	2015	2016
Contributions and bequests	$4,720,704	$10,101,215	$15,865,228	$3,932,524	$3,685,203
Contributions from Pennsylvania Masonic Youth Foundation	13,100	21,399	-	-	62,030
Contributions from Grand Lodge permanently restricted net assets	1,267,203	1,158,811	1,146,631	203,125	224,264
Total Unrestricted	6,001,007	11,281,425	17,011,859	4,135,649	3,971,497
Donor-Restricted					
Temporarily restricted contributions and bequests	530,809	2,232,736	1,460,520	1,174,929	2,695,063
Permanently restricted contribution from Pennsylvania Masonic Youth Foundation	-	-	-	-	10,000
Permanently restricted contributions and bequests	795,450	86,512	398,979	262,886	34,024
Total	$7,327,266	$13,600,673	$18,871,358	$5,573,464	$6,710,584

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Payments in Lieu of Taxes (PILOT)

Masonic Villages has entered into the following annual payments in lieu of taxes (PILOT) agreements:

Masonic Village at Elizabethtown

	Effective	Expires	2015	2016	2017	Escalation %
Elizabethtown Area School District	2008	June 30, 2029	$930,842	$940,150	$949,551	1%
Elizabethtown Borough	2008	June 30, 2029	$19,204	$19,396	$19,590	1%
West Donegal Township	2008	June 30, 2029	$75,170	$75,922	$76,681	1%
Lancaster County	2008	June 30, 2029	$207,294	$209,366	$211,460	1%
Elizabethtown School District's Education Foundation	2008	June 30, 2029	$15,000	$15,000	$15,000	Set annual amount

Masonic Village at Sewickley

	Effective	Expires	2015	2016	2017	Escalation %
Aleppo Township	2004	December 31, 2024	$158,788	$161,170	$163,588	1.5%
Supplemental Aleppo Township	2003	December 31, 2024	$56,173	$57,135	$58,112	1.7%
County of Allegheny	2004	December 31, 2024	$135,403	$137,434	$139,496	1.5%
Quaker Valley School District	2004	December 31, 2024	$414,149	$420,361	$426,666	1.5%
Second Supplemental -School District	2010	December 31, 2024	$5,298	$5,351	$5,404	1%
Second Supplemental -Aleppo Township	2010	December 31, 2024	$1,280	$1,292	$1,305	1%
Second Supplemental -County of Allegheny	2010	December 31, 2024	$1,200	$1,212	$1,224	1%
Quaker Valley School District Scholarship Fund	2004	December 31, 2024	$16,797	$17,124	$17,456	2%

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Masonic Village at Dallas

	Effective	Expires	2015	2016	2017	Escalation %
Dallas Township	2011	December 31, 2030	$995	$1,005	$1,015	2016-2030-1%
Dallas Area School District	2011	December 31, 2030	$22,117	$22,338	$22,562	2016-2030-1%
Luzerne County	2011	December 31, 2030	$9,975	$10,075	$10,176	2016-2030-1%
Dallas Township for Local Fire & Ambulance	2011	December 31, 2030	$1,000	$1,500	$1,500	Set annual amount that increases every 5 years.

Masonic Village at Lafayette Hill

	Effective	Expires	2015	2016	2017	Escalation %
Whitemarsh Township	1979	In effect as long as facility qualifies as tax-exempt	$32,584	$32,758	N/A	Adjusted for an inflation factor based on the CPI for the Philadelphia region
Whitemarsh Township	2003	In effect as long as facility qualifies as tax exempt	$13,109	$13,079	N/A	Adjusted for an inflation factor based on the CPI for the Philadelphia region

Masonic Village at Lafayette Hill received an additional exemption from Real Estate Taxes from the Montgomery County Board of Assessment Appeals on its' 60 unit retirement living apartment building in July, 2016. This exemption is effective January 1, 2017.

Masonic Village at Warminster

Masonic Village at Warminster received an exemption from real estate taxes from the Bucks County Board of Assessment appeals effective July 1, 2005.

FINANCIAL INFORMATION

The financial information included in this section is presented on a consolidated basis including Masonic Villages and subsidiaries (the "Consolidated Group"). Masonic Villages is the sole borrower under the Indenture.

Masonic Villages accounted for approximately 99.61% of the total revenues of the Consolidated Group for the fiscal year ended December 31, 2015, and approximately 99.20% of the total assets of the Consolidated Group as of December 31, 2015. Masonic Villages accounted for approximately 99.51% of the total revenues of the Consolidated Group for the fiscal year ended December 31, 2014, and approximately 99.10% of the total assets of the Consolidated Group as of December 31, 2014. Masonic Villages accounted for approximately 99.54% of the total revenues of the Consolidated Group for the fiscal year December 31, 2013, and approximately 99.12% of the total assets of the Consolidated Group as of December 31, 2013.

Masonic Villages of the Grand Lodge of Pennsylvania Consolidated Balance Sheets	**Year Ended 12/31/2013 Audited**	**Year Ended 12/31/2014 Audited**	**Year Ended 12/31/2015 Audited**	**9-Months Ended 09/30/2015 Unaudited**	**9-Months Ended 09/30/2016 Unaudited**
CURRENT ASSETS					
Cash and cash equivalents	$26,417,877	$25,173,938	$23,914,124	$19,771,382	$21,177,486
Assets whose use is limited and that are required for current liabilities	2,493,676	2,602,437	3,538,380	2,292,058	2,360,112
Resident accounts receivable, net of estimated uncollectables	6,484,339	7,375,993	8,877,237	9,277,353	8,422,802
Accounts receivable-affiliates	20,266	89,684	34,297	48,218	18,788
Investment income receivable	2,310,470	1,835,723	1,317,196	1,156,986	1,305,385
Estimated third party settlements receivable	2,433,152	759,039	778,707	1,513,114	1,524,331
Inventory	1,824,801	2,122,341	2,313,998	2,109,246	2,282,768
Other current assets	1,462,721	2,247,773	3,469,479	2,601,147	3,465,221
Notes receivable	3,594,786	3,105,580	2,596,619	3,716,427	1,959,320
Contributions receivable	96,400	95,500	63,866	95,500	63,866
TOTAL CURRENT ASSETS	47,138,488	45,408,008	46,903,903	42,581,431	42,580,079
Contributions receivable, net of current portion	382,521	317,692	348,094	284,693	319,570
Loan receivable – Susquehanna-Wagman Associates, LLC	33,602	33,602	33,602	-	-
Assets whose use is limited, net of current portion	37,310,722	18,386,068	-	1,676,633	-
Minimum liquid reserve requirement	14,677,311	15,085,386	15,969,405	-	-
Investments	629,712,666	671,939,192	655,755,640	659,801,744	686,170,758
Property and equipment, net	319,238,893	342,471,581	357,564,213	354,529,207	361,079,131
Other assets	1,509,926	1,375,866	1,597,092	420,975	367,825
Collections	-	-	-	-	-
TOTAL ASSETS	$1,050,004,129	$1,095,017,395	$1,078,171,949	$1,059,294,683	$1,090,517,363

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Masonic Villages of the Grand Lodge of Pennsylvania Consolidated Balance Sheets	Year Ended 12/31/2013 Audited	Year Ended 12/31/2014 Audited	Year Ended 12/31/2015 Audited	9-Months Ended 09/30/2015 Unaudited	9-Months Ended 09/30/2016 Unaudited
CURRENT LIABILITIES					
Current installments of long-term debt	$8,675,000	$8,905,000	$9,425,000	$5,830,000	$9,620,000
Accrued expenses	13,455,117	14,315,902	14,195,962	14,932,436	15,072,332
Accounts payable	10,819,965	10,730,327	8,464,640	9,476,445	8,787,685
Deferred revenue from estates and trusts	40,176	32,554	36,549	37,388	63,408
Deposits-Residents	954,717	930,698	865,007	807,597	892,773
Deposits on unoccupied units	1,645,540	2,719,206	1,086,306	1,155,133	1,622,714
Annuities payable	1,206,216	3,498,814	3,350,013	3,498,814	3,350,013
TOTAL CURRENT LIABILITIES	36,796,731	41,132,501	37,423,477	35,737,813	39,408,925
Accrued pension costs	2,040,612	24,628,648	13,480,807	19,602,195	13,977,593
Annuities payable, net of current portion	6,142,706	17,359,599	16,327,915	14,912,286	14,264,602
Contributions payable	-	13,786,134	11,799,147	13,786,134	11,799,147
Deferred revenue from landfill settlement	57,500	47,500	37,500	40,000	30,000
Refundable fees	58,088,967	63,603,465	74,972,137	73,026,381	80,081,439
Deferred revenue from entrance fees	91,967,378	94,703,311	101,746,576	102,287,658	103,159,021
Interest rate swap agreements	22,908,000	27,269,755	24,921,867	25,949,465	27,580,769
Long-term debt, including unamortized premium	194,709,163	185,744,051	180,381,273	184,259,998	174,254,034
TOTAL LIABILITIES	412,711,057	468,274,964	461,090,699	469,601,930	464,555,530
NET ASSETS					
Unrestricted	349,831,827	333,462,627	337,421,782	305,170,425	335,604,896
Temporarily restricted	75,206,982	80,412,487	70,733,957	70,777,488	80,093,208
Permanently restricted	212,254,263	212,867,317	208,925,511	213,744,840	210,263,729
TOTAL NET ASSETS	637,293,072	626,742,431	617,081,250	589,692,753	625,961,833
TOTAL LIABILITIES AND NET ASSETS	$1,050,004,129	$1,095,017,395	$1,078,171,949	$1,059,294,683	$1,090,517,363

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Masonic Villages of the Grand Lodge of Pennsylvania Consolidated Statement of Operations	Year Ended 12/31/2013 Audited	Year Ended 12/31/2014 Audited	Year Ended 12/31/2015 Audited	9-Months Ended 09/30/2015 Unaudited	9-Months Ended 09/30/2016 Unaudited
OPERATING REVENUES					
Resident service revenue	$124,251,060	$128,293,287	$133,268,300	$99,345,951	$103,330,558
Provision for bad debts	(262,673)	(293,250)	(498,561)	(181,330)	(249,191)
Net resident service revenue	123,988,387	128,000,037	132,769,739	99,164,621	103,081,367
Amortization of entrance fees	9,646,509	10,258,031	11,169,716	7,991,871	9,227,719
Other operating revenue	3,126,391	5,842,497	5,263,080	3,544,635	3,503,805
Investment income	11,171,145	9,729,404	9,994,301	7,758,780	9,260,551
Unrealized appreciation (depreciation) on interest rate swap agreements	12,004,253	(4,361,755)	2,347,888	1,320,290	(2,658,902)
Total Operating Revenues	159,936,685	149,468,214	161,544,724	119,780,197	122,414,540
OPERATING EXPENSES					
Wages, salaries and benefits	92,855,272	95,014,318	100,015,973	74,883,578	79,020,910
Supplies	16,055,249	16,862,914	17,454,726	12,874,475	13,465,229
Purchased services	16,181,023	17,034,618	18,693,865	13,603,722	13,696,175
Energy and utilities	7,682,735	7,732,399	7,651,099	5,657,692	5,427,240
Depreciation and amortization	17,924,154	19,539,566	22,510,358	15,633,191	17,444,443
Interest	6,232,555	6,258,463	5,834,737	4,224,728	4,843,608
Other operating expenses	7,639,349	7,818,040	7,327,816	6,719,119	6,374,017
Loss on refunding of long-term debt	-	-	2,548,159	2,548,159	-
Total Operating Expenses	164,570,337	170,260,318	182,036,733	136,144,664	140,271,622
OPERATING INCOME (LOSS)	(4,633,652)	(20,792,104)	(20,492,009)	(16,364,467)	(17,857,082)
NON-OPERATING GAINS (LOSSES)					
Contributions, gifts, and bequests	4,720,704	10,101,215	15,865,228	3,932,524	3,685,203
Contributions from Pennsylvania Masonic Youth Foundation	13,100	21,399	-	-	62,030
Contributions from Grand Lodge permanently restricted net assets	1,267,203	1,158,811	1,146,631	203,125	224,264
Income from perpetual trusts held by third parties	1,694,608	1,767,589	1,786,277	1,289,748	1,774,461
Realized gains on sale of investments	27,015,117	17,601,948	21,308,635	19,272,304	15,844,689
Adjustment of actuarial liabilities of split-interest agreements	(586,165)	(1,695,318)	30,758	-	-
Loss on impairment of asset	(573,810)	-	-	-	-
Gain on disposal of property and equipment	46,528	21,250	73,034	31,855	26,975
Total Non-Operating Gains (Losses)	33,597,285	28,976,894	40,210,563	24,729,556	21,617,622
EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES	28,963,633	8,184,790	19,718,554	8,365,089	3,760,540
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of program restrictions - Operations	5,192,339	6,128,288	6,707,205	(279,343)	(1,073,681)
Satisfaction of program restrictions – Purchase of property and equipment	154,458	853,705	407,768	192,305	185,652
Total net assets released from restrictions	5,346,797	6,981,993	7,114,973	(87,038)	(888,029)
Change in pension liability	25,582,508	(28,370,777)	6,585,823	-	-
Net unrealized appreciation (depreciation) on investments	20,007,369	(3,165,206)	(29,460,195)	(36,570,253)	(4,689,397)
Increase (decrease) in unrestricted net assets	$79,900,307	($16,369,200)	$3,959,155	($28,292,202)	($1,816,886)

Masonic Villages of the Grand Lodge of Pennsylvania Consolidated Statement of Cash Flows	Year Ended 12/31/2013 Audited	Year Ended 12/31/2014 Audited	Year Ended 12/31/2015 Audited	9-Months Ended 09/30/2015 Unaudited	9-Months Ended 09/30/2016 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES AND NONOPERATING GAINS					
Increase (decrease) in Net Assets	$110,259,815	($10,550,641)	($9,661,181)	($37,049,678)	$8,880,583
Adjustments to reconcile increase in net assets to net cash provided by operating activities and nonoperating gains:					
Depreciation and amortization	17,850,029	19,459,256	22,395,479	15,633,191	17,444,443
Amortization of deferred financing costs	74,125	80,310	114,879	83,751	87,157
Bad debts	262,673	293,250	498,561	181,330	249,191
Bond premium amortization	(61,293)	(60,112)	(448,641)	(315,520)	(371,127)
Gain on disposal of property and equipment	(46,528)	(21,250)	(73,034)	(31,855)	(26,975)
Loss on refunding of long-term debt	-	-	2,548,159	2,548,159	-
Loss on impairment of asset	573,810	-	-	-	-
Amortization of entrance fees	(9,646,509)	(10,258,031)	(11,169,716)	(7,991,871)	(9,227,719)
Initial contributions recognized from split-interest agreements	(290,241)	(3,486,206)	(366,982)	-	-
Actuarial adjustment for split-interest agreements	570,056	1,678,729	(48,796)	-	-
Contributions restricted for long-term investments	(813,555)	(104,272)	(416,035)	(276,192)	(47,658)
Net realized and unrealized (gains) losses on long-term investments	(81,258,512)	(24,787,356)	16,644,983	27,665,384	(18,127,475)
(Increase) decrease in fair value of interest rate swap agreements	(12,004,253)	4,361,755	(2,347,888)	(1,320,290)	2,658,902
(Increase) decrease in receivables	(1,448,620)	1,383,744	(992,872)	(2,750,684)	152,763
(Increase) decrease in other current assets and inventory	(374,261)	(1,082,592)	(1,413,363)	(340,279)	35,488
Increase (decrease) in accounts payable and accrued expenses	1,578,776	771,147	(2,385,627)	(637,348)	1,199,415
(Decrease) increase in other current and noncurrent liabilities	(29,497,369)	37,121,666	(12,842,437)	(9,156,106)	(975,494)
Proceeds from entrance fees and deposits	30,867,393	26,032,390	36,538,190	24,999,134	15,749,466
Net cash provided by operating activities and nonoperating gains	26,595,536	40,831,787	36.573,679	11,241,126	17,680,960
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	(32,146,944)	(42,617,894)	(37,362,277)	(27,619,361)	(20,892,786)
(Increase) decrease in assets whose use is limited	(34,861,610)	18,815,893	14,490,277	14,059,966	1,178,268
Proceeds from the sale of investments	33,245,136	28,221,570	31,989,838	9,853,734	13,743,713
Purchase of investments	(12,239,014)	(46,068,815)	(33,335,288)	(10,296,284)	(10,061,951)
Decrease (increase) in other long-term assets	1,450	950	350	-	-
Net cash used in investing activities	(46,000,982)	(41,648,296)	(24,217,100)	(14,001,945)	(16,032,756)
CASH FLOWS FROM FINANCING ACTIVITIES					
Refunds of entrance fees and deposits	(6,036,401)	(7,523,928)	(6,956,537)	-	-
Proceeds from contributions and income restricted for investment	813,555	104,272	416,035	276,192	47,658
Proceeds from contributions under split-interest agreements	650,548	17,086,896	611,512	-	-
Net payments made on split-interest agreements	(1,102,975)	(1,409,670)	(3,361,974)	-	-
Decrease in deferred revenue from landfill settlement	(10,000)	(10,000)	(10,000)	(7,500)	(7,500)
Proceeds from 2013 bonds	39,025,000	-	-	-	-
Proceeds from 2015 bonds	-	-	44,195,000	44,195,000	-
Advance refunding 2006 bonds	-	-	(33,320,000)	(33,320,000)	-
Refunding of 2008 bonds, Series C	-	-	(14,190,000)	(14,190,000)	-
Premium received from 2015 bonds	-	-	5,350,009	5,350,009	-
Payments for bond issue costs	(191,100)	-	(710,438)	(710,438)	-
Principal payment on long-term debt	(7,125,000)	(8,675,000)	(5,640,000)	(4,235,000)	(4,425,000)
Net cash provided by (used in) financing activities	26,023,627	(427,430)	(13,616,393)	(2,641,737)	(4,384,842)
Net increase (decrease) in cash and cash equivalents	6,618,181	(1,243,939)	(1,259,814)	(5,402,556)	(2,736,638)
Beginning cash and cash equivalents	19,799,696	26,417,877	25,173,938	25,173,938	23,914,124
Ending cash and cash equivalents	$26,417,877	$25,173,938	$23,914,124	$19,771,382	$21,177,486

Masonic Villages of the Grand Lodge of Pennsylvania
Financial Calculations

	Year Ended 12/31/2013 Unaudited	Year Ended 12/31/2014 Unaudited	Year Ended 12/31/2015 Unaudited
CALCULATION OF NET INCOME AVAILABLE FOR DEBT SERVICE			
Operating revenues	$159,936,685	$149,468,214	$161,544,724
Operating expenses	(164,570,337)	(170,260,318)	(182,036,733)
Income (loss) from operations	(4,633,652)	(20,792,104)	(20,492,009)
Add back:			
Depreciation and amortization expense	17,924,154	19,539,566	22,510,358
Interest expense, gross	6,232,555	6,258,463	5,834,737
Capitalized interest expense, net of capitalized interest income on bond proceeds	415,913	1,124,796	620,046
Proceeds from entrance fees and deposits, net of refunds	24,830,992	18,508,462	29,581,653
Depreciation (appreciation) in fair values of interest rate swap agreements	(12,004,253)	4,361,755	(2,347,888)
Net assets released from restrictions for use in operations	5,192,339	6,128,288	6,707,205
Loss on refunding of debt	-	-	2,548,159
Decrease in notes receivable from entrance fees	-	489,206	508,961
Less:			
Bond premium amortization netted against interest	(61,293)	(60,112)	(448,641)
Increase in notes receivables from entrance fees	(244,380)	-	-
Amortization of entrance fees	(9,646,509)	(10,258,031)	(11,169,716)
Adjusted net income (loss) before nonoperating revenue	28,005,866	25,300,289	33,852,865
Nonoperating revenue	33,597,285	28,976,894	40,210,563
Net income available for debt service	$61,603,151	$54,277,183	$74,063,428

	Year Ended 12/31/2013 Audited	Year Ended 12/31/2014 Audited	Year Ended 12/31/2015 Audited
DEBT SERVICE COVERAGE RATIO			
Net income available for debt service	$61,603,151	$54,277,183	$74,063,428
Maximum annual debt service	16,365,000	16,363,000	16,350,000
Debt Service Coverage Ratio	3.76x	3.32x	4.53x
Minimum Debt Service Coverage Ratio covenant	1.10x	1.10x	1.10x

Masonic Villages of the Grand Lodge of Pennsylvania
Financial Calculations

	Year Ended 12/31/2013 Unaudited	Year Ended 12/31/2014 Unaudited	Year Ended 12/31/2015 Unaudited
CAPITALIZATION RATIO			
Total long-term debt outstanding	$202,530,000	$193,855,000	$184,900,000
Less: Current portion	8,675,000	8,905,000	9,425,000
Total Long-Term Debt for Ratio	$193,855,000	$184,950,000	$175,475,000
Total Long-Term Debt for Ratio	$193,855,000	$184,950,000	$175,475,000
Unrestricted net assets	349,831,827	333,462,627	337,421,782
Temporarily restricted net assets	75,206,982	80,412,487	70,733,957
Total debt and net assets	$618,893,809	$598,825,114	$583,630,739
Capitalization Ratio	31.32%	30.89%	30.07%

	Year Ended 12/31/2013 Unaudited	Year Ended 12/31/2014 Unaudited	Year Ended 12/31/2015 Unaudited
DAYS CASH ON HAND			
Cash and cash equivalents	$26,417,877	$25,173,938	$23,914,124
Unrestricted investments at fair value	359,424,956	398,830,822	395,584,713
Total cash and investments	$385,842,833	$422,004,760	$419,498,837
Operating Expenses per Day:			
Total operating expenses	$164,570,337	$170,260,318	$182,036,733
Less: Loss on refunding long-term debt	-	-	2,548,159
Less: Depreciation and amortization	17,924,154	19,539,566	22,510,358
Operating expenses for the calculation	$146,646,183	$150,720,752	$156,978,216
Days in period	365	365	365
Total Operating Expenses Per Day	$401,770	$412,934	$430,077
Days Cash on Hand	960	1,022	975

Management Discussion and Analysis

Masonic Villages' mission has been to provide services to residents irrespective of their ability to pay. This mission specifically seeks to provide services to residents who are not able to pay private rates, but have medical, social, or financial need. The mission of Masonic Villages has been made possible by the generous financial support of the members of the Masonic fraternity and others for over 100 years, which has resulted in annual charitable gifts and bequests, the accumulation of a large endowment and a substantial amount of investment income. As more fully described earlier under "Contributions", Masonic Villages receives non-operating income in substantial amounts each year, which is available to support operations, in furtherance of Masonic Villages' mission. This support has enabled Masonic Villages to provide a substantial amount of charity care to residents, including a high percentage of charity care to residents of Personal Care at all locations. A high percentage of the residents in Nursing Care at all locations are covered under the Medicaid program. A by-product of this operating philosophy is that Masonic Villages' operating expenses have exceeded its operating revenues, as more fully described below.

Basis of Accounting

The accounts of Masonic Villages are maintained in accordance with generally accepted accounting principles. In accordance with Accounting Standards Codification (ASC) 958-605-25, *Not-for-Profit Entities Revenue*, contributions received are recorded as unrestricted support depending on the existence and/or nature of any donor restrictions.

Masonic Villages is governed by the Board. Only Masonic Villages has pledged its revenues to the payment of principal and interest on the Series 2017 Bonds. Included in Appendix B are the audited financial statements of Masonic Villages for the years ended December 31, 2015 and 2014.

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Results of Operations

The following is management's discussion and analysis of the results of operations of Masonic Villages for the years ended December 31, 2015 and 2014, and for the nine months ended September 30, 2016 and 2015. The audited financial statements of Masonic Villages for the years ended December 31, 2015 and 2014 are included in Appendix B.

Masonic Villages
Condensed Statements of Operations

	Years Ended December 31,			Nine Months ended September 30,	
	(audited) 2013	(audited) 2014	(audited) 2015	(unaudited) 2015	(unaudited) 2016
Operating revenues	$159,936,685	$149,468,214	$161,544,724	$119,780,197	$122,414,540
Operating expenses	164,570,337	170,260,318	182,036,733	136,144,664	140,271,622
Loss from operations	(4,633,652)	(20,792,104)	(20,492,009)	(16,364,467)	(17,857,082)
Nonoperating gains (losses), net	33,597,285	28,976,894	40,210,563	24,729,556	21,617,622
Revenues and gains in excess of expenses	28,963,633	8,184,790	19,718,554	8,365,089	3,760,540
Total net assets released from restrictions	5,346,797	6,981,993	7,114,973	(87,038)	(888,029)
Change in pension liability	25,582,508	(28,370,777)	6,585,823	-	-
Net unrealized appreciation (depreciation) on investments	20,007,369	(3,165,206)	(29,460,195)	(36,570,253)	(4,689,397)
Increase (decrease) in unrestricted net assets	$ 79,900,307	$ (16,369,200)	$ 3,959,155	$(28,292,202)	$ (1,816,886)

Fiscal Years Ended December 31, 2015 and 2014

The following is a discussion of Masonic Villages' financial performance for the fiscal years ended December 31, 2015 and 2014.

Operating revenues increased by $12,076,510, or 8.1%, from 2014 to 2015. The most significant components of the increase in operating revenues were the net change in the fair value of interest rate swap agreements and net resident service revenue. In accordance with generally accepted accounting principles for non-profit healthcare organizations, Masonic Villages reports the change in the fair value of the interest rate swap agreements as operating revenue. Masonic Villages experienced a net increase in the fair value of interest rate swap agreements of $2,347,888 for the year ended December 31, 2015, which represented an increase of $6,709,643 over the decrease recognized for the year ended December 31, 2014. Net resident service revenue increased by $4,769,702, or 3.7%, from 2014 to 2015. The growth in resident-related revenue is attributable to rate increases for nursing care, personal care, and retirement living ranging from 1.0% to 7.0% that became effective January 1, 2015 at all locations. An increase in the volume of services provided by Masonic Villages also contributed to the growth in resident-related revenues. The MVLH retirement living population grew during 2015 due to the addition of 60 new apartments that were completed in August. Masonic Villages also experienced an increase in available nursing beds between 2014 and 2015 due to the completion of renovation projects at MVE and MVS. The increase in available revenue-producing units helped to produce growth in other resident revenue sources, including pharmacy, medical ancillary services, laundry, and meals. The remaining categories of operating revenues (amortization of entrance fees, other operating revenue, and investment income) grew by an aggregate $597,165, or 2.3%, from 2014 to 2015.

Operating expenses increased $11,776,415, or 6.9%, from 2014 to 2015. The increase in operating expenses occurred primarily in the cost of labor, purchased services, and depreciation. Wages, salaries and benefits increased by $5,001,655, or 5.3%. The largest component of wages, salaries, and benefits is salary expense, which increased $3,711,779, or 5.1%, from 2014 to 2015. The growth in salary expense is due to a combination of several different circumstances. A pay rate increase of approximately 2.5% became effective January 1, 2015 for Masonic Villages' employees. In addition, rate increases for some employee classes, particularly in nursing positions, were made during 2015 to compete for resources in high demand professions. The impact of these rate increases was augmented by a net increase of approximately 31 Full-Time Equivalents (FTE). This FTE growth primarily occurred at MVE to increase the staffing for the nursing, therapy, and home care functions. The increase in salary expense resulted in a corresponding increase in payroll taxes of $273,581, or 5.2%. Actuarially-determined pension expense for the noncontributory defined benefit plan grew by $1,220,723, or 209.5%, because of an increase in the plan's unrecognized loss. Masonic Villages' contribution to the defined contribution retirement plan increased by $295,235, or 11.0%, from 2014 to 2015. These increases in labor costs were offset partially by a decline of $572,233, or 4.4%, in the expenses incurred for Masonic Villages' self-insured employee health care benefit plan from 2014 to 2015. The growth in purchased services of $1,659,247, or 9.7%, occurred primarily in three categories; service agreements, professional medical services, and other outside services. The cost of service agreements increased by $1,116,811, or 64.1%, due to the transition to "cloud-based" administrative, clinical and billing software during the last quarter of 2014 and throughout 2015. Payments for professional medical services grew by $179,650, or 7.7%, due to increases in therapy services provided at MVE, MVS, and MVLH. Other outside services expense increased by $253,262, or 4.2%, from 2014 to 2015. The growth in other outside services expense was attributable primarily to investment management fees for the separate investment portfolio established in November 2014 to support a large charitable gift annuity. Depreciation and amortization expense increased by $2,970,792, or 15.2%, from 2014 to 2015. The growth in this expense is attributable to the depreciable assets placed into service after completion of significant projects during 2015 and the last six months of 2014. These significant projects included renovations and additions to the nursing care facilities at MVE and MVS, construction of 60 new retirement living apartments at MVLH, and implementation of new "cloud-based" administrative, clinical and billing software used by all locations. Issuance of the 2015 Bonds to advance refund the 2006 Bonds and to refund the 2008 Bonds (Series C) produced a loss on refunding of $2,548,159 that was recognized as an operating expense for the year ended December 31, 2015. The remaining categories of operating expenses (supplies, energy and utilities, interest, and other expenses) declined by an aggregate $403,438, or 1.0%, from 2014 to 2015.

Nonoperating gains increased $11,233,669, or 38.8%, between 2014 and 2015. Contributions, gifts, bequests, and income from perpetual trusts held by third parties are unpredictable sources of revenue that are subject to significant fluctuations from year to year. Unrestricted contributions, gifts, bequests and income from perpetual trusts held by third parties increased by $7,475,198, or 65.8%, from 2014 to 2015. This significant growth occurred because Masonic Villages received a bequest of approximately $10.9 million from the estate of Dorothea Shaffer in November 2015. The increase in nonoperating gains is also a product of the ability of Masonic Villages' investments to generate capital appreciation. Realized gains on investments increased by $3,706,687, or 21.1% from 2014 to 2015. For 2015, the entire Consolidated Fund realized gains totaling approximately $39.9 million, which represents an increase of approximately $9.4 million over the gains realized in 2014. Masonic Villages recognized a net gain on the disposal of property and equipment totaling $73,034 in 2015, an increase of $51,784 from the gain recognized in 2014.

Activities conducted by Masonic Villages during 2015 resulted in the **satisfaction of donor restrictions** totaling $7,114,973. Temporarily restricted assets were released during 2015 when the donor restriction was met. Restrictions were met for general operations of the organization ($5,930,096), scholarships ($89,608), equipment purchases made by the individual locations ($407,768), support for needy Retirement Living residents ($507,859), support of the Residential Care Program ($3,895), and support of the Children's Home ($175,747).

The **change in pension liability** of $6,585,823 recognized by Masonic Villages as of December 31, 2015 is a mandatory annual adjustment determined by actuarial calculations. Generally accepted accounting principles require non-profit organizations to recognize the over-funded or under-funded status of a defined benefit pension plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The defined benefit pension plan's discount rate assumption was increased from 4.05% at the end of 2014 to 4.55% as of December 31, 2015. This change significantly reduced the pension plan's net liability to current and future beneficiaries. Because of these conditions, Masonic Villages' share of the pension plan's net liability decreased by $6,585,823 for the year ended December 31, 2015.

The **net unrealized appreciation on investments** reflects the portfolio investment strategy employed by Masonic Villages' investment managers and financial market conditions at the end of each year. Throughout most of 2015, the Consolidated Fund was composed of equity securities (approximately 65% of the portfolio at cost) and fixed income securities (approximately 35% of the portfolio at cost). Due to the market conditions during the year and the portfolio mix used, the Consolidated Fund experienced net unrealized depreciation from December 31, 2014 to December 31, 2015 of approximately $50,498,000. Masonic Villages' unrealized depreciation on its unrestricted investments totaled $29,460,195 for 2015, or $26,294,989 more than 2014's unrealized depreciation of $3,165,206.

Nine Months Ended September 30, 2016 and 2015

The following is a discussion of Masonic Villages' financial performance for the nine months ended September 30, 2016 and 2015.

Operating revenues increased by $2,634,343, or 2.2%, from 2015 to 2016. The growth in operating revenues primarily occurred in net resident revenue, amortization of entrance fees, and investment income. Net resident service revenue increased by $3,916,746, or 4.0%, from 2015 to 2016. The increase in resident-related revenue is attributable to rate increases for nursing care, personal care, and retirement living ranging from 1.0% to 5.0% that became effective January 1, 2016 at all locations. An increase in the volume of services provided by Masonic Villages also contributed to the growth in resident-related revenues for the nine months ended September 30, 2016. The 60 new retirement living apartments that were completed in August 2015 at MVLH were generating revenue for all nine months of 2016. As a result of the completion of renovations to the nursing facilities at MVE and MVS during 2015, the full complement of nursing beds was also available for all nine months of 2016. The increase in available revenue-producing units helped to produce growth in other resident revenue sources, including pharmacy, home care services, laundry, and meals. Revenue recognized from the amortization of entrance fees grew by $1,235,848, or 15.5%, from 2015 to 2016. This growth occurred primarily at MVE and MVLH due to the additional retirement living units built at those locations from 2012 through 2015. Investment income recognized by Masonic Villages increased by $1,501,771, or 19.4%, from 2015 to 2016. The significant increase in investment income was due primarily to the timing of receipt of dividend distributions from the Consolidated Fund's index fund investments. The index funds paid their dividends to the Consolidated Fund in late December 2015, after the Consolidated Fund had already passed on the December 2015 income distribution to the Pennsylvania Masonic entities. As a result, the dividend income received and recognized by the Consolidated Fund in 2015 was not distributed and recognized by Masonic Villages until January 2016. The growth in these operating revenue sources was offset partially by declines in other categories. In accordance with generally accepted accounting principles for not-for-profit healthcare organizations, Masonic Villages reports the change in the fair value of the interest rate swap agreements as operating revenue. Masonic Villages experienced a net decrease in the fair value of interest rate swap agreements of $2,658,902 for the nine months ended September 30, 2016, which represented a net change of $3,979,192 over the increase recognized for the nine months ended September 30, 2015. Masonic Villages also experienced a decrease in other operating revenue of $40,830, or 1.2%, from 2015 to 2016.

Operating expenses increased $4,126,958, or 3.0%, from 2015 to 2016. The increase in operating expenses occurred primarily in the cost of labor, supplies, depreciation and amortization, and interest. Wages, salaries and benefits increased by $4,137,332, or 5.5%. The largest component of wages, salaries, and benefits is salary expense, which increased $3,152,196, or 5.5%, from 2015 to 2016. A pay rate increase of approximately 2.5% became effective January 1, 2016 for Masonic Villages' employees. The impact of these rate increases was augmented by a net increase of approximately 34 Full-Time Equivalents (FTE). New positions were added for 2016 at MVE and MVW to increase the staffing for the nursing, therapy, home care, and information technology functions. The aggregate increase in salary expense resulted in a corresponding increase in payroll taxes of $217,030, or 5.2%. Expenses related to employee healthcare benefits, actuarially-determined costs of the defined benefit plan, and contributions to the 403 (b) defined contribution retirement plan grew by an aggregate $637,329, or 5.3%. The cost of supplies increased by $590,754, or 4.6%, from 2015 to 2016. The primary reason for this growth was the increased resident population at MVE and MVLH combined with general price increases for supplies. The most significant growth in this expense category occurred in the cost of food ($196,342 increase), drugs ($175,620 increase), and operating supplies ($153,868 increase). Depreciation and amortization increased by $1,811,252, or 11.6%, from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. The growth in this expense is attributable to the depreciable assets placed into service after completion of significant projects during the last six months of 2015. These significant projects included renovations and additions to the nursing care facilities at MVE and MVS, construction of 60 new retirement living apartments at MVLH, and implementation of new "cloud-based" clinical and billing software used by all locations. Interest expense grew by $618,880, or 14.6%, from 2015 to 2016. This growth occurred primarily because interest paid for the 2013 Bonds had been capitalized during 2015 while the buildings financed by the 2013 Bonds were under construction. Once the construction projects were completed late in 2015, interest paid on the 2013 Bonds began to be recognized as an operating expense. Interest expense recognized on the 2013 Bonds totaled $722,986 for the nine months ended September 30, 2016. This new component of interest expense was offset partially by declines in interest paid for Masonic Villages' other debt issues due to their scheduled principal reductions. The remaining categories of operating expenses (purchased services, energy and utilities, and other expenses) declined by an aggregate $483,101, or 1.9%. The aggregate growth in all of these operating expense categories was offset partially by a significant transaction that occurred in 2015 but was not repeated in 2016. Issuance of the 2015 Bonds to advance refund the 2006 Bonds and to refund the 2008 Bonds (Series C) produced a loss on refunding of $2,548,159 that was recognized as an operating expense for the nine months ended September 30, 2015.

Nonoperating gains decreased $3,111,934, or 12.6%, between 2015 and 2016. The decline in nonoperating gains was primarily attributable to a decrease in realized gains on investments of $3,427,615, or 17.8%, from 2015 to 2016. The decrease in realized gains relates to trading activities within the Consolidated Fund. For the nine months ended September 30, 2016, the entire Consolidated Fund realized gains totaling approximately $30.4 million, which represents a decrease of approximately $5.7 million from the gains realized for the same period in 2015. Gains recognized from the sale of property and equipment decreased by $4,880 between 2015 and 2016. These declines were offset partially by an increase of $320,561, or 5.9%, in revenue from unrestricted contributions, gifts, bequests, and income from perpetual trusts held by third parties.

Activities conducted by Masonic Villages during the first nine months of 2016 resulted in the **satisfaction of donor restrictions** totaling $888,029. Temporarily restricted assets were released during 2016 when the donor restriction was met. Donor restrictions met during the first nine months of 2016 totaled $402,531 and consisted primarily of various equipment purchases. The impact of the release of these donor restrictions was offset by the transfer of $1,290,560 from the unrestricted, Board-designated charitable gift annuity reserve fund into donor restricted funds in April 2016. The transferred assets represent the original principal amount of charitable gift annuity contracts that terminated during 2015. These donors had directed their contributions to be placed into temporarily restricted ($90,734) and permanently restricted ($1,199,826) funds at the conclusion of the charitable gift annuity agreements.

The **net unrealized appreciation or depreciation on investments** is impacted by the portfolio investment strategy employed by Masonic Villages' investment managers and financial market conditions at the end of each reporting period. Throughout most of 2016, the Consolidated Fund was composed of equity securities (approximately 62% of the portfolio at cost) and fixed income securities (approximately 38% of the portfolio at cost). Due to market conditions during the year and the portfolio mix used in the Consolidated Fund, Masonic Villages experienced net unrealized depreciation on its unrestricted investments for the nine months ended September 30, 2016 of $4,689,397. This represented an improvement of $31,880,856 from 2015's unrealized depreciation of $36,570,253.

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APPENDIX B

Financial Statements of Masonic Villages of the Grand Lodge of Pennsylvania

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Consolidated
Financial
Report

December 31,
2015

Masonic Villages of the Grand Lodge of Pennsylvania

INDEX

SEK&Co

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Masonic Villages of the
Grand Lodge of Pennsylvania
Elizabethtown, Pennsylvania

We have audited the accompanying consolidated financial statements of Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Pennsylvania Acacia Insurance Company, Ltd., a wholly-owned subsidiary, which statements reflect total assets of $ 10,006,187 and $ 9,888,902 as of December 31, 2015 and 2014, respectively, and total revenues of $ 948,152 and $ 793,034, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pennsylvania Acacia Insurance Company, Ltd., is based solely on the report of the other auditors. 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.

Board of Directors
Masonic Villages of the
Grand Lodge of Pennsylvania

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, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries as of December 31, 2015 and 2014, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Smith Elliott Kearns & Company, LLC

Carlisle, Pennsylvania
April 21, 2016

MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

ASSETS	2015	2014
Current Assets:		
Cash and cash equivalents (Note 2)	$ 23,914,124	$ 25,173,938
Assets whose use is limited and that are required for current liabilities (Note 7)	3,538,380	2,602,437
Resident accounts receivable, net of estimated uncollectibles of $ 752,000 in 2015 and $ 540,000 in 2014 (Note 3)	8,877,237	7,375,993
Accounts receivable:		
Pennsylvania Masonic Youth Foundation	1,757	5,619
Masonic Charities Fund	32,431	30,575
The Masonic Library and Museum of Pennsylvania	109	184
Grand Lodge	-	53,306
Investment income receivable	1,317,196	1,835,723
Estimated third party settlements receivable (Note 17)	778,707	759,039
Inventory	2,313,998	2,122,341
Other current assets	3,469,479	2,247,773
Notes receivable (Note 5)	2,596,619	3,105,580
Contributions receivable (Note 4)	63,866	95,500
Total current assets	46,903,903	45,408,008
Contributions receivable, net of current portion (Note 4)	348,094	317,692
Loan receivable - Susquehanna-Wagman Associates, LLC	33,602	33,602
Assets whose use is limited, net of current portion (Note 7)	-	18,386,068
Minimum liquid reserve requirement (Notes 6, 23)	15,969,405	15,085,386
Investments (Note 6)	655,755,640	671,939,192
Property and equipment, net (Note 8)	357,564,213	342,471,581
Other Assets:		
Deferred costs, net (Note 9)	1,592,869	1,371,293
Other long-term assets	4,223	4,573
Total other assets	1,597,092	1,375,866
Collections (Note 1)	-	-
Total assets	$ 1,078,171,949	$ 1,095,017,395

LIABILITIES AND NET ASSETS	2015	2014
Current Liabilities:		
Current installments of long-term debt (Note 11)	$ 9,425,000	$ 8,905,000
Accrued expenses	14,195,962	14,315,902
Accounts payable:		
Trade	8,438,434	10,730,327
Grand Lodge	26,206	-
Deferred revenue from estates and trusts	36,549	32,554
Deposits - Residents	865,007	930,698
Deposits on unoccupied units	1,086,306	2,719,206
Annuities payable	3,350,013	3,498,814
Total current liabilities	37,423,477	41,132,501
Accrued pension costs (Note 16)	13,480,807	24,628,648
Annuities payable, net of current portion	16,327,915	17,359,599
Contributions payable (Note 21)	11,799,147	13,786,134
Deferred revenue from landfill settlement	37,500	47,500
Refundable fees	74,972,137	63,603,465
Deferred revenue from entrance fees	101,746,576	94,703,311
Interest rate swap agreements (Note 10)	24,921,867	27,269,755
Long-term debt, including unamortized premium of $ 4,906,273 in 2015 and $ 794,051 in 2014	180,381,273	185,744,051
Total liabilities	461,090,699	468,274,964
Net Assets:		
Unrestricted	337,421,782	333,462,627
Temporarily restricted	70,733,957	80,412,487
Permanently restricted	208,925,511	212,867,317
Total net assets	617,081,250	626,742,431
Total liabilities and net assets	$ 1,078,171,949	$ 1,095,017,395

The accompanying notes are an integral part of these consolidated financial statements.

MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2015 and 2014

	2015	2014
Operating revenues:		
Resident service revenue (Note 17)	$ 133,268,300	$ 128,293,287
Provision for bad debts	(498,561)	(293,250)
Net resident service revenue	132,769,739	128,000,037
Amortization of entrance fees	11,169,716	10,258,031
Other operating revenue	5,263,080	5,842,497
Investment income	9,994,301	9,729,404
Unrealized appreciation (depreciation) on interest rate swap agreements	2,347,888	(4,361,755)
Total operating revenues	161,544,724	149,468,214
Operating expenses:		
Wages, salaries, and benefits	100,015,973	95,014,318
Supplies	17,454,726	16,862,914
Purchased services	18,693,865	17,034,618
Energy and utilities	7,651,099	7,732,399
Depreciation and amortization	22,510,358	19,539,566
Interest	5,834,737	6,258,463
Other operating expenses	7,327,816	7,818,040
Loss on refunding of long-term debt	2,548,159	-
Total operating expenses	182,036,733	170,260,318
Loss from operations	(20,492,009)	(20,792,104)
Nonoperating gains (losses):		
Contributions, gifts, and bequests	15,865,228	10,101,215
Contributions from Pennsylvania Masonic Youth Foundation	-	21,399
Contributions from Grand Lodge permanently restricted net assets	1,146,631	1,158,811
Income from perpetual trusts held by third parties	1,786,277	1,767,589
Realized gains on sale of investments	21,308,635	17,601,948
Adjustment of actuarial liabilities of split-interest agreements	30,758	(1,695,318)
Gain on disposal of property and equipment	73,034	21,250
Total nonoperating gains	40,210,563	28,976,894
Excess of revenues and gains over expenses and losses	19,718,554	8,184,790
Net assets released from restrictions:		
Satisfaction of program restrictions - Operations	6,707,205	6,128,288
Satisfaction of program restrictions - Purchase of property and equipment	407,768	853,705
Total net assets released from restrictions	7,114,973	6,981,993
Change in pension liability (Note 16)	6,585,823	(28,370,777)
Net unrealized depreciation on investments	(29,460,195)	(3,165,206)
Increase (decrease) in unrestricted net assets	$ 3,959,155	$ (16,369,200)

The accompanying notes are an integral part of these consolidated financial statements.

MASONIC VILLAGES OF THE
GRAND LODGE OF PENNSYLVANIA

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2015 and 2014

	2015				2014			
	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues and Gains:								
Total operating revenues	$ 161,544,724	$ 161,544,724	$ -	$ -	$ 149,468,214	$ 149,468,214	$ -	$ -
Nonoperating investment income	87,644	-	87,644	-	91,891	-	91,891	-
Realized gains (losses) on sale of investments	36,676,686	21,308,635	15,371,458	(3,407)	29,875,974	17,601,948	12,216,050	57,976
Gain on sale of property and equipment	73,034	73,034	-	-	21,250	21,250	-	-
Contributions, gifts, and bequests	17,724,727	15,865,228	1,460,520	398,979	12,420,463	10,101,215	2,232,736	86,512
Contribution from Pennsylvania Masonic Youth Foundation	-	-	-	-	21,399	21,399	-	-
Contributions from Grand Lodge permanently restricted net assets	1,146,631	1,146,631	-	-	1,158,811	1,158,811	-	-
Income from perpetual trusts held by third parties	1,809,156	1,786,277	5,823	17,056	1,789,799	1,767,589	4,450	17,760
Total revenues and gains	219,062,602	201,724,529	16,925,445	412,628	194,847,801	180,140,426	14,545,127	162,248
Expenses and Losses:								
Unrestricted expenses	182,036,733	182,036,733	-	-	170,260,318	170,260,318	-	-
Adjustment of actuarial assets and liabilities of split-interest agreements	(48,796)	(30,758)	(18,038)	-	1,678,729	1,695,318	(16,589)	-
Total expenses and losses	181,987,937	182,005,975	(18,038)	-	171,939,047	171,955,636	(16,589)	-
Excess of revenues and gains over expenses and losses	37,074,665	19,718,554	16,943,483	412,628	22,908,754	8,184,790	14,561,716	162,248
Net assets released from restrictions - Satisfaction of program restrictions	-	7,114,973	(7,616,304)	501,331	-	6,981,993	(7,264,191)	282,198
Change in pension liability (Note 16)	6,585,823	6,585,823	-	-	(28,370,777)	(28,370,777)	-	-
Net unrealized (depreciation) appreciation on investments	(53,321,669)	(29,460,195)	(19,005,709)	(4,855,765)	(5,088,618)	(3,165,206)	(2,092,020)	168,608
(Decrease) increase in net assets	(9,661,181)	3,959,155	(9,678,530)	(3,941,806)	(10,550,641)	(16,369,200)	5,205,505	613,054
Net assets at January 1	626,742,431	333,462,627	80,412,487	212,867,317	637,293,072	349,831,827	75,206,982	212,254,263
Net assets at December 31	$ 617,081,250	$ 337,421,782	$ 70,733,957	$ 208,925,511	$ 626,742,431	$ 333,462,627	$ 80,412,487	$ 212,867,317

The accompanying notes are an integral part of these consolidated financial statements.

MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities and Nonoperating Gains:		
Decrease in net assets	$ (9,661,181)	$ (10,550,641)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities and nonoperating gains:		
Depreciation and amortization	22,510,358	19,539,566
Bad debts	498,561	293,250
Bond premium amortization	(448,641)	(60,112)
Gain on disposal of property and equipment	(73,034)	(21,250)
Loss on refunding of long-term debt	2,548,159	-
Amortization of entrance fees	(11,169,716)	(10,258,031)
Initial contributions recognized from split-interest agreements	(366,982)	(3,486,206)
Actuarial adjustment for split-interest agreements	(48,796)	1,678,729
Contributions restricted for long-term investments	(416,035)	(104,272)
Net realized and unrealized losses (gains) on long-term investments	16,644,983	(24,787,356)
(Increase) decrease in fair value of interest rate swap agreements	(2,347,888)	4,361,755
(Increase) decrease in receivables	(992,872)	1,383,744
Increase in other current assets and inventory	(1,413,363)	(1,082,592)
(Decrease) increase in accounts payable and accrued expenses	(2,385,627)	771,147
(Decrease) increase in other current and noncurrent liabilities	(12,842,437)	37,121,666
Proceeds from entrance fees and deposits	36,538,190	26,032,390
Net cash provided by operating activities and nonoperating gains	36,573,679	40,831,787
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(37,362,277)	(42,617,894)
Decrease in assets whose use is limited	14,490,277	18,815,893
Proceeds from the sale of investments	31,989,838	28,221,570
Purchases of investments	(33,335,288)	(46,068,815)
Decrease in other long-term assets	350	950
Net cash used in investing activities	(24,217,100)	(41,648,296)

The accompanying notes are an integral part of these consolidated financial statements.

MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Financing Activities:		
Refunds of entrance fees and deposits	$ (6,956,537)	$ (7,523,928)
Proceeds from contributions restricted for long-term investments	416,035	104,272
Proceeds from contributions under split-interest agreements	611,512	17,086,896
Net payments made on split-interest agreements	(3,361,974)	(1,409,670)
Decrease in deferred revenue from landfill settlement	(10,000)	(10,000)
Proceeds from 2015 bonds	44,195,000	-
Advance refunding of 2006 Bonds	(33,320,000)	-
Refunding of 2008 Bonds, Series C	(14,190,000)	-
Premium received from 2015 Bonds	5,350,009	-
Payments for bond issue costs	(710,438)	-
Principal payment on long-term debt	(5,640,000)	(8,675,000)
Net cash used in financing activities	(13,616,393)	(427,430)
Net decrease in cash and cash equivalents	(1,259,814)	(1,243,939)
Cash and cash equivalents - Beginning of year	25,173,938	26,417,877
Cash and cash equivalents - End of year	$ 23,914,124	$ 25,173,938
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 6,418,169	$ 7,334,550
Cash paid during the year for income taxes	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: Summary of Significant Accounting Policies

Organization

The Masonic Villages of the Grand Lodge of Pennsylvania (Masonic Villages) is a not-for-profit corporation. The Grand Lodge of Free and Accepted Masons of Pennsylvania (Grand Lodge) is the sole member of this not-for-profit corporation. Prior to January 1, 2013, Masonic Villages operated as an unincorporated unit of Grand Lodge known as Masonic Homes of the Grand Lodge of Free and Accepted Masons of Pennsylvania (Masonic Homes). Masonic Villages is considered the successor organization to Masonic Homes and has continued to operate Masonic Homes' services under the not-for-profit corporation since January 1, 2013. Masonic Villages provides various services in Pennsylvania at its campuses located in Elizabethtown, Warminster, Sewickley, Lafayette Hill, and Dallas. These campuses are referred to, collectively and individually, as "Masonic Villages" for marketing and business purposes.

Services provided at the Elizabethtown campus as of December 31, 2015 include:

1. a 453 bed nursing facility providing nursing care (Nursing Home)
2. 983 units of Retirement Living consisting of apartments and cottages
3. a 116 bed personal care facility (Personal Care)
4. a 40 bed home for disadvantaged children (Children's Home)
5. meeting and conference facilities
6. an Outreach program
7. an Adult Daily Living program
8. an 8 bed Residential care program (Residential Care) for developmentally disabled individuals
9. a farm.

As of December 31, 2015, services provided at the Warminster campus include a 43 bed nursing facility and 19 beds of personal care.

Services provided at the Sewickley campus include a 128 bed nursing facility, 61 beds of personal care, and 272 units of Retirement Living Apartments and Villas as of December 31, 2015.

As of December 31, 2015, services provided at the Lafayette Hill campus include a 60 bed nursing facility, 39 beds of personal care, and 158 units of Retirement Living Apartments.

Services provided at the Dallas campus include 83 units of Retirement Living Apartments and Cottages as of December 31, 2015.

Masonic Villages also provides significant financial support to the Pennsylvania Masonic Youth Foundation and The Masonic Library and Museum of Pennsylvania.

NOTE 1: Summary of Significant Accounting Policies – Continued

Principles of Consolidation

The consolidated financial statements include the financial statements of Masonic Villages and its wholly-owned subsidiaries, ILC Corp, Pennsylvania Acacia Insurance Company, Ltd. (PAIC), Acacia Services, LLC, and Ashlar Creative Solutions, LLC after elimination of all significant interrelated balances and transactions.

Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under an indenture agreement.

Resident Accounts Receivable

Accounts receivable for services provided to residents consists of amounts owed directly from residents on a private pay basis and amounts owed from third-party payors on behalf of residents. Receivables from third-party payors are recorded at established rates, net of contractual adjustments specific to each payor. Receivables from private pay residents are recorded at established rates. Receivables are considered to be past due when payments have not been received by Masonic Villages within 90 days of their contractually stated due date. The provision for uncollectible private pay resident accounts receivable is based on management's assessment of the collectability of individual receivables and the aggregate aging of all of the private pay resident accounts receivable. Losses are charged against the allowance for uncollectible private pay resident accounts receivable when management believes the un-collectability of a receivable is confirmed.

Inventory

Inventory consists of medical supplies and pharmaceutical products, livestock, and maintenance supplies and is valued at the lower of cost or market. Cost is determined on the first-in, first-out basis.

Notes Receivable and Allowance for Uncollectible Notes Receivable

Masonic Villages has provided short-term loans to residents entering its Retirement Living facilities. These loans are evidenced by a note which authorizes a judgment against the resident's property to effect loan satisfaction, and are recorded at the gross amount of the loan proceeds, reduced by an allowance for uncollectible notes receivable. Interest income from notes receivable is accrued on the straight-line method. Notes are considered to be due one year from the date of the note.

Nonaccrual notes receivable are those on which accrual of interest has ceased and where all previously accrued but not collected interest is reversed. Notes are placed on nonaccrual status when, in the opinion of management, full collection is doubtful. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income. While a note receivable is on nonaccrual status, subsequent cash payments received are either applied to outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collection of principal and interest.

The allowance for uncollectible notes receivable is evaluated on a regular basis by management and is based on historical experience, the nature and volume of the notes receivable portfolio, adverse conditions that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Notes are considered to be past due when principal and interest payments have not been received by Masonic Villages within 90 days of their contractually stated due date. Losses are charged against the allowance for uncollectible notes receivable when management believes the un-collectability of a note is confirmed.

Contributions Receivable

Contributions receivable recorded by Masonic Villages consist of charitable remainder unitrusts, charitable lead trusts, and promises to give.

Masonic Villages will be the recipient of specified funds over the terms of several charitable lead trusts and the remaining assets of several charitable remainder unitrusts upon the death of the beneficiaries. Contributions receivable are recorded at the net present value of the expected trust assets to be received based on the fair value of the trust assets, the contractual or risk-free rate of return (which ranges from 1.84% to 4.25%), and the life expectancy of the current beneficiary or term of the trust.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments and Investment Income

Masonic Villages carries investments at fair value. When available, fair value of the investments is determined using quoted market prices of a national securities exchange. In other instances, fair value is determined using other observable market data or Masonic Villages' own assumptions. Contributed investments are initially valued at the quoted fair value on the date received, which is then treated as cost.

Investment income on borrowed funds held by a trustee and investment income from all other unrestricted investments are reported as operating revenues. Investment income and gains (losses) on investments of donor restricted funds are added to (deducted from) the appropriate donor restricted net assets.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of receipt. Masonic Villages reviews all disbursements greater than $ 1,000 for capitalization as property and equipment. Expenditures for repairs which extend the useful life of the assets are capitalized and routine maintenance and repair costs are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Estimated useful lives are: land improvements - 10 to 20 years, buildings and improvements - 20 to 40 years, and equipment - 3 to 20 years.

Deferred Financing Costs

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method.

NOTE 1: Summary of Significant Accounting Policies – Continued

Collections

Masonic Villages owns collections of Masonic memorabilia, paintings, antique furniture, farm equipment, and other artifacts related to the history of Masonic Villages. These collections are located at the Elizabethtown, Pennsylvania campus. The collections, which were primarily acquired through contributions since Masonic Villages' inception, are not recognized as assets on the consolidated balance sheets. Contributed collection items are not recognized as revenue in the consolidated statements of changes in net assets.

Retirement Living - Entrance Fee Units

Entrance Fees - Fees paid by a resident upon entering into a resident agreement for Retirement Living, net of the portion thereof that is expected to be refundable to the resident based on refundable contract choice (refundable fees), are recorded as deferred revenue and are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident. Contingent contracts are those that provide a minimum refund percentage greater than zero and state that re-occupancy is required prior to the payment of a refund. The refundable portion of a contingent contract is not amortized to revenue but remains as a liability until withdrawal. Some of Masonic Villages' Retirement Living resident agreements are contingent contracts because they include certain minimum guaranteed refund amounts to the residents.

Contractually Refundable Fees - Masonic Villages offers two types of contracts at its Elizabethtown, Dallas, Sewickley, and Lafayette Hill campuses. Under the terms of the first contract type, amounts refundable equal the contract amount less 5.00% for the first month of occupancy and 1.00% for each month of occupancy thereafter. As of January 1, 2014, new contracts for the Sewickley campus define amounts refundable as the contract amount less 6% for the first month of occupancy and 2% for each month of occupancy thereafter. Under the terms of the second contract type, amounts refundable equal 90% of the original contract amount whenever the resident chooses to permanently leave retirement living or the facility. In addition, a variation of the refundable contract type is available at the Dallas campus providing an annual 1% increase in the refundable percentage. At December 31, 2015 and 2014, entrance fees of approximately $ 74,972,000 and $ 63,603,000, respectively, were refundable to residents (excluding deposits on unoccupied units) under the terms of the refundable contracts.

Obligation to Provide Future Services - Masonic Villages annually calculates the present value of the net cost of future services to be provided to Retirement Living residents. Costs of future services for Retirement Living residents at the Elizabethtown and Lafayette Hill campuses include the meals, housekeeping, maintenance, and facility costs that are provided under the terms of the Elizabethtown and Lafayette Hill contracts. Costs of future services for Retirement Living residents at the Sewickley campus who qualify for life care include the health care services, meals, housekeeping, maintenance, and facility costs that are provided under the terms of the Sewickley contract. Costs of future services for Retirement Living residents at the Dallas campus include the housekeeping, maintenance, and facility costs that are provided under the terms of the Dallas contract. The aggregate cost of future services is compared with the balance of deferred revenue from entrance fees. If the present value of the net cost for future services and use of facilities exceeds the deferred revenue from entrance fees, a liability will be recorded with a corresponding charge to expenses. Management's calculation resulted in an estimate of no liability for future services to be provided as of either December 31, 2015 or 2014, using discount rates of 5.00% and 7.00% for 2015 and 2014, respectively.

These agreements are regulated by the Commonwealth of Pennsylvania Department of Insurance. Masonic Villages is required to maintain liquid reserves to cover the future costs associated with these agreements.

NOTE 1: Summary of Significant Accounting Policies – Continued

Resident Personal Funds

Masonic Villages receives and holds personal funds of certain residents as an agent of those residents. Cash and cash equivalents include resident personal funds totaling $ 865,007 and $ 930,698 as of December 31, 2015 and 2014, respectively.

Worker's Compensation Claims

For the years ended December 31, 2015 and 2014, Masonic Villages was insured for workers compensation claims in a large risk-large deductible program with a $ 500,000 deductible for each injury/disease and a $ 1,275,000 aggregate for each injury/disease. Premiums paid, net of any performance-based refunds, are recorded in wages, salaries, and benefits in the consolidated statements of operations.

Annuities Payable

Masonic Villages has several charitable gift annuity and charitable remainder unitrust arrangements with donors. Annuities payable are recorded at the net present value of the expected annuity payments based upon the amount of the contribution, the contractual rate of return (which ranges from 4.20% to 12.00%), and the life expectancy of the beneficiary of the annuity.

Bond Premium

Bond premium is amortized over the period the related long-term debt obligation is outstanding using the effective interest method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Masonic Villages has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Masonic Villages in perpetuity.

Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Masonic Villages reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Gifts of goods and 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. Masonic Villages reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Masonic Villages is the beneficiary under various wills and trust agreements. Amounts received from such sources are recorded when clear title is established and the proceeds are measurable.

NOTE 1: Summary of Significant Accounting Policies – Continued

Donated Services

A significant number of volunteers annually donate their services to Masonic Villages. Because the services provided do not require specialized skills, the value of these donated services is not reflected in the consolidated financial statements.

Resident Service Revenue

Masonic Villages' resident service revenue is earned from providing both health care and non-health care services. Health care programs include nursing care, personal care, hospice, medical supplies, pharmacy, and medical ancillary clinics. Non-health care programs include retirement living, the Children's Home, adult day care, the Residential Care program, home care, and wellness centers. Ordinary activities that are part of a resident's life at Masonic Villages also produce resident service revenue. These revenue producing activities include beauty and barber services, resident and guest meals, laundry, transportation, parking, and communications services.

Resident service revenue is recorded initially at the established rates. This amount is reduced by contractual adjustments and charity allowances to arrive at resident service revenue reported in the consolidated statement of operations.

Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to final settlements with third-party payors are included in net resident service revenue in the year in which such adjustments become known.

Charity Care

Charity care is provided to residents who have demonstrated the inability to pay and are not eligible for third-party reimbursement. Certain residents qualify for charity care upon admission or when their financial resources are depleted. Because Masonic Villages provides charity care to residents who are unable to pay for these services, it is not reported as resident service revenue.

Consolidated Statements of Operations Earnings Measurement

Masonic Villages' income (loss) from operations includes all unrestricted revenue from the provision of health care and residential services, operating revenue from incidental activities such as the farm, investment income, changes in the fair value of derivative instruments, and expenses incurred in the performance of these activities. Non-operating gains and losses are excluded from the loss from operations.

Consolidated Statements of Changes in Net Assets Earnings Measurement

Masonic Villages utilizes the excess (deficiency) of revenues and gains over expenses and losses to measure its annual earnings. The excess of revenues and gains over expenses and losses includes revenues and expenses from program activities, contributions, investment income, realized gains (losses) from the sale of investments, and changes in the fair value of derivative instruments. The net unrealized appreciation (depreciation) on investments and changes in the minimum pension obligation are excluded from the excess (deficiency) of revenues and gains over expenses and losses.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments (i.e. money market funds) with original maturities of three months or less, excluding amounts classified as assets whose use is limited.

NOTE 1: Summary of Significant Accounting Policies – Continued

Income Taxes

Masonic Villages is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 509(a) of the Code.

Generally accepted accounting principles require organizations to disclose significant tax positions that are subject to uncertainty about the merits of the position taken or the amount of the position that may ultimately be sustained upon examination by the taxing authorities. The effects of tax positions are recognized in financial statements if, in the opinion of management, the tax position would more likely than not be sustained upon an examination by the taxing authorities, including the resolution of any applicable appeals or litigation. Masonic Villages' most significant tax position is that it is exempt from payment of federal and state income taxes. Accordingly, Masonic Villages has not reported any income tax expense in the statements of operations and the statements of changes in net assets for the years ended December 31, 2015 and 2014. Masonic Villages has not recorded liabilities for income taxes or unrecognized income tax benefits in the balance sheets as of December 31, 2015 and 2014. The tax years subsequent to 2011 may be subject to review by federal, state, and local taxing authorities.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Derivative Financial Instruments

Derivative financial instruments used by Masonic Villages consist of pay-fixed, receive variable interest rate swap agreements. The purpose of these interest rate swap agreements is to limit Masonic Villages' exposure to interest rate changes on its variable-rate debt.

Disclosure about Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, short-term investments, investment securities, resident accounts receivable, notes receivable, deposits, long-term debt, and interest rate swaps.

The fair value of cash and cash equivalents are deemed to be the same as their carrying value. The fair value of resident accounts receivable equals their carrying value, since they are stated net of estimated uncollectible amounts. The fair value of the long-term debt is determined based on the quoted market price of the long-term debt at the consolidated balance sheet date. The fair values of interest rate swap agreements are based on quoted market prices if available or valuation techniques which consider the present value of estimated expected future cash flows. Disclosure of additional fair values is contained in the following notes.

NOTE 2: Cash and Cash Equivalents

Masonic Villages holds cash and cash equivalents that have been restricted by donors for certain purposes. Masonic Villages is not permitted to use restricted cash and cash equivalents for general operations. The components of Masonic Villages' cash and cash equivalents as of December 31, 2015 and 2014 are as follows:

	2015	2014
Available for operations	$ 20,232,607	$ 21,604,951
Retirement living escrow funds	652,641	922,800
Held for residents deposits	865,007	930,698
Total unrestricted	21,750,255	23,458,449
Temporarily restricted	2,163,869	1,715,489
	$ 23,914,124	$ 25,173,938

NOTE 3: Resident Accounts Receivable

Masonic Villages' resident accounts receivable consists of amounts owed from individuals, insurance companies, and government agencies. As of December 31, 2015 and 2014, Masonic Villages' aggregate resident accounts receivable over 90 days past due totaled $ 1,900,611 and $ 1,073,040, respectively.

Masonic Villages' resident accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of resident accounts receivable, Masonic Villages evaluates its past history and identifies trends for each of its major 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 private pay residents (which includes both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), Masonic Villages records a provision for bad debts in the period of service on the basis of past experience, which indicates that many private pay residents are unable or unwilling to pay the portion of the bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The changes in the allowance for uncollectible accounts receivable for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Allowance at January 1	$ 540,000	$ 406,000
Provision for bad debts	498,561	293,250
Accounts receivable written off, net of recoveries	(286,561)	(159,250)
Allowance at December 31	$ 752,000	$ 540,000

NOTE 4: Contributions Receivable

Contributions receivable consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Charitable lead annuity trusts	$ 399,921	$ 362,918
Promises to give	12,039	50,274
Total contributions receivable	411,960	413,192
Less:		
Current portion of charitable lead annuity trusts	51,366	44,000
Current portion of promises to give	12,500	51,500
Noncurrent portion	$ 348,094	$ 317,692

Promises to give consist of the following as of December 31, 2015 and 2014:

	2015	2014
Promises to give before unamortized discount and allowance for uncollectibles	$ 12,500	$ 51,500
Unamortized discount	(461)	(1,226)
Allowance for uncollectibles	-	-
Net promises to give	$ 12,039	$ 50,274

The schedule of payments to be received from promises to give as of December 31, 2015 is as follows:

2016	$ 12,500

The discount rates used for promises to give received during the years ended December 31, 2015 and 2014 were 2.27% and 2.17%, respectively.

NOTE 5: Notes Receivable

Notes receivable with Masonic Villages' Retirement Living residents totaled $ 2,596,619 and $ 3,105,580, as of December 31, 2015 and 2014, respectively. Interest was charged at rates ranging from 0% to 5% per annum. Notes receivable outstanding beyond their due date, included in the aforementioned totals, were $ 217,253 and $ 354,501 as of December 31, 2015 and 2014, respectively. There was no notes receivable on nonaccrual status as of December 31, 2015 and 2014. Based on management's evaluation of the notes receivable portfolio, no provision for uncollectible notes receivable is required.

NOTE 6: Investments

Certain investments are pooled with related organizations and are referred to as "Consolidated Fund" investments. Consolidated Fund investments and certain short-term investments are administered by sixteen different investment management firms and held in safekeeping by JPMorgan Chase Bank, N. A. Approximately 89% of the pooled investments are attributable to the Masonic Villages.

The following table summarizes total Consolidated Fund investments held in safekeeping at JPMorgan Chase Bank, N. A.:

At December 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Domestic stocks	$ 121,807,672	$ 34,648,544	$ 5,083,216	$ 151,373,000
International stocks	33,044,143	3,389,476	3,724,773	32,708,846
U.S. Government and Agency bonds	10,296,574	154,381	57,049	10,393,906
Domestic corporate bonds	85,687,664	448,933	2,221,000	83,915,597
Municipal bonds	7,876,448	53,320	129,953	7,799,815
Mutual funds - Equity securities	127,455,408	36,953,644	3,414,887	160,994,165
Exchange traded funds	121,917,249	-	13,179,030	108,738,219
Limited partnership - International investments	438,992	172,555	41,978	569,569
Mortgage backed securities	22,275,818	330,544	146,861	22,459,501
Asset backed securities	29,179,788	867,857	257,554	29,790,091
Demand notes	98,750	-	804	97,946
Real estate investment trusts	974,703	46,416	99,547	921,572
Money market funds	67,175,778	-	-	67,175,778
Total Consolidated Fund	$ 628,228,987	$ 77,065,670	$ 28,356,652	$ 676,938,005

At December 31, 2014	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Domestic stocks	$ 130,008,906	$ 42,346,706	$ 2,486,606	$ 169,869,006
International stocks	33,862,627	5,440,956	2,288,327	37,015,256
U.S. Government and Agency bonds	10,770,041	635,696	6,549	11,399,188
Domestic corporate bonds	84,893,533	729,994	988,538	84,634,989
Municipal bonds	8,927,056	324,248	68,986	9,182,318
Mutual funds - Equity securities	168,820,157	54,676,589	3,250,274	220,246,472
Exchange traded funds	80,655,245	4,347,227	2,222,370	82,780,102
Limited partnership - International investments	524,729	195,685	36,839	683,575
Mortgage backed securities	19,164,058	518,656	78,201	19,604,513
Asset backed securities	21,766,361	1,392,650	132,989	23,026,022
Demand notes	601,352	31,592	-	632,944
Real estate investment trusts	438,021	144,839	23,571	559,289
Money market funds	22,979,708	-	-	22,979,708
Total Consolidated Fund	$ 583,411,794	$ 110,784,838	$ 11,583,250	$ 682,613,382

NOTE 6: Investments – Continued

At December 31, 2015 and 2014, Masonic Villages' investments consisted of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Money Market Funds	$ 4,619,823	$ 4,619,823	$ 9,298,053	$ 9,298,053
Consolidated Fund	354,289,803	363,622,099	319,321,449	357,001,975
Other investments	159,524	184,972	108,009	102,167
Real estate	-	-	422,000	396,034
State Street Bank & Trust	374,362	374,362	280,994	280,994
National Financial Services LLC	27,424,152	26,242,702	29,191,800	29,137,536
Charles Schwab Institutional	170,321	148,704	181,583	177,563
Wells Fargo Bank Common Trust Funds	378,268	392,051	398,278	436,500
Total Unrestricted	387,416,253	395,584,713	359,202,166	396,830,822
Money Market Funds	1,092,417	1,092,417	516,072	516,072
Consolidated Fund	216,620,839	234,448,138	207,381,778	244,214,787
BNY Mellon Financial Dreyfus Money Market Fund	60,157	60,157	60,157	60,157
Perpetual Trusts Held by Third Parties	24,044,557	40,539,620	24,051,912	45,402,740
Total Restricted	241,817,970	276,140,332	232,009,919	290,193,756
	$ 629,234,223	$ 671,725,045	$ 591,212,085	$ 687,024,578

Masonic Villages' investments are presented on the balance sheets in the following categories as of December 31, 2015 and 2014:

	2015	2014
Minimum liquid reserve requirement	$ 15,969,405	$ 15,085,386
Investments at fair value	655,755,640	671,939,192
	$ 671,725,045	$ 687,024,578

Total return on Masonic Villages' investments for the years ended December 31, 2015 and 2014 consisted of the following:

	2015	2014
Operating investment income - Unrestricted	$ 9,994,301	$ 9,729,404
Nonoperating investment income - Temporarily restricted	87,644	91,891
Total investment income	10,081,945	9,821,295
Realized gains on sale of investments	36,676,686	29,875,974
Net unrealized depreciation on investments	(53,321,669)	(5,088,618)
	$ (6,563,038)	$ 34,608,651

NOTE 6: Investments – Continued

Masonic Villages has designated portions of its unrestricted Consolidated Fund investments to use for specific programs or functions. The composition of Masonic Villages' designated investments as of December 31, 2015 and 2014 is as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Masonic Villages Reserve Fund	$ 173,351,434	$ 182,952,086	$ 174,312,947	$ 199,124,448
Masonic Temple Preservation Fund	12,010,747	12,351,010	11,418,721	12,713,083
Children's Home Fund	7,616,048	7,561,828	7,614,527	8,146,194
Ilgen Trust	10,994,303	10,736,301	-	-
Charitable Gift Annuity Reserve Fund	11,237,062	11,535,131	12,141,105	13,418,282
C. Austin Buck Gift Annuity Administration	2,773,146	2,628,474	2,507,590	2,507,590
Masonic Eastern Star Homes Building and Improvement Fund	909,702	766,545	862,938	778,582
Warminster Building and Improvement Fund	3,150,426	2,721,772	2,932,793	2,710,844
Masonic Eastern Star Endowment Fund	1,407,068	1,184,170	1,334,826	1,202,764
Dallas Retirement Living Fund	1,958,882	1,934,413	1,811,675	1,934,497
Sewickley Retirement Living Fund	101,375,144	101,461,863	93,635,520	101,708,597
Lafayette Hill General Fund	20,778,521	20,718,106	9,652,324	10,384,493
Lafayette Hill Minimum Reserve Fund	1,890,473	1,870,935	1,776,334	1,900,312
Pennsylvania Acacia Insurance Company	9,564,451	9,952,517	8,696,871	9,843,169
	$ 359,017,407	$ 368,375,151	$ 328,698,171	$ 366,372,855

During the year ended December 31, 2014, Masonic Villages entered into a unique single-life charitable gift annuity agreement with a donor. This unique agreement required establishment of a separate investment portfolio to fund the annuity payments Masonic Villages will make to the beneficiary of the charitable gift annuity agreement. These investments are held in safekeeping by the custodian, National Financial Services, LLC (NFS). The investment portfolio is administered by the investment manager, Mill Creek Capital Advisors, LLC. The composition of this separate investment portfolio as of December 31, 2015 and 2014 is as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds	$ 10,660,499	$ 10,372,784	$ 4,747,756	$ 4,740,219
Asset-backed securities	494,933	472,475	3,256,549	3,247,986
Mutual funds - Fixed income	1,947,913	1,810,478	2,770,134	2,736,682
U.S. Treasury and agency securities	-	-	2,613,418	2,619,335
Equity exchange traded funds	12,778,806	12,094,316	4,501,296	4,508,536
Mutual funds - Equity	349,123	299,771	334,483	316,614
Money market funds	1,192,878	1,192,878	10,968,164	10,968,164
	$ 27,424,152	$ 26,242,702	$ 29,191,800	$ 29,137,536

The Consolidated Fund investment policy includes specific guidance on the maximum amount that each organization participating in the Consolidated Fund may withdraw from its Consolidated Fund investments each year. The maximum amount that may be withdrawn and spent is equal to a percentage of the three-year average fair value of a participating organization's Consolidated Fund investments. The investment policy permits withdrawals from unrestricted investments in excess of the spending maximum. For the years ended December 31, 2015 and 2014, the spending percentage recommended by the Grand Lodge Committee on Finance and elected by the Trustees of the Consolidated Fund was 5.00%. Masonic Villages reports the cumulative excess of the restricted spending maximum over amounts withdrawn from restricted Consolidated Fund investments as temporarily restricted net assets.

NOTE 6: Investments – Continued

Masonic Villages' performance in comparison with the spending maximum amounts is summarized in the following table:

	Unrestricted	Permanently Restricted	Total
Masonic Villages' Consolidated Fund spending maximum amount for 2015	$ 16,769,561	$ 10,745,178	$ 27,514,739
Amounts withdrawn from Consolidated Fund	21,414,829	10,575,009	31,989,838
Excess (deficiency) of spending maximum amount over amounts withdrawn	$ (4,645,268)	$ 170,169	$ (4,475,099)

	Unrestricted	Permanently Restricted	Total
Masonic Villages' Consolidated Fund spending maximum amount for 2014	$ 16,395,238	$ 10,107,322	$ 26,502,560
Amounts withdrawn from Consolidated Fund	18,367,182	9,854,388	28,221,570
Excess (deficiency) of spending maximum amount over amounts withdrawn	$ (1,971,944)	$ 252,934	$ (1,719,010)

NOTE 7: Assets Whose Use is Limited

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at December 31, 2015 and 2014, is set forth below.

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Under indenture agreement held by trustee - Cash and short-term investments	$ 3,538,380	$ 3,538,380	$ 20,988,505	$ 20,988,505
Less current portion	3,538,380	3,538,380	2,602,437	2,602,437
	$ -	$ -	$ 18,386,068	$ 18,386,068

NOTE 8: Property and Equipment

A summary of property and equipment at December 31, 2015 and 2014 follows:

	2015	2014
Land	$ 5,139,578	$ 5,086,717
Land improvements	18,057,367	16,908,451
Buildings and improvements	389,724,866	361,646,837
Equipment	221,743,078	205,814,519
	634,664,889	589,456,524
Less accumulated depreciation	295,771,941	280,584,223
	338,892,948	308,872,301
Construction in progress	18,671,265	33,599,280
Property and equipment, net	$ 357,564,213	$ 342,471,581

Depreciation expense for the years ended December 31, 2015 and 2014 was $ 22,342,679 and $ 19,406,456, respectively.

NOTE 9: Deferred Costs

A summary of deferred costs at December 31, 2015 and 2014 follows:

	2015	2014
Financing costs for various long-term debt issues	$ 1,776,053	$ 1,610,191
Costs to upgrade Elizabethtown Borough wastewater treatment plant	1,056,000	1,056,000
	2,832,053	2,666,191
Less accumulated amortization	(1,239,184)	(1,294,898)
	$ 1,592,869	$ 1,371,293

Amortization expense related to deferred costs totaled $ 167,679 and $ 133,110 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10: Interest Rate Swap Agreements

On July 1, 1999, Masonic Villages entered into an interest rate swap agreement on the 1999 Bonds with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA). This agreement expires on July 1, 2034. Wells Fargo Bank, NA exchanged a fixed rate of 4.5925% on the outstanding principal of the 1999 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 1999 Bonds.

On September 7, 2001, Masonic Villages entered into an interest rate swap agreement on the 2001 Bonds with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA). This agreement expires September 7, 2031. Wells Fargo Bank, NA exchanged a fixed rate of 4.085% on the outstanding principal of the 2001 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 2001 Bonds.

On September 7, 2001, Masonic Villages entered into a forward interest rate swap agreement with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA) on variable rate bonds that were issued during 2002 (2002 Bonds). This agreement expires May 1, 2032. Wells Fargo Bank, NA exchanged a fixed rate of 4.190% on the outstanding principal of the 2002 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 2002 Bonds.

On May 22, 2003, Masonic Villages entered into an interest rate swap agreement on the 2004 Bonds with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA). This agreement expires on November 19, 2019. Wells Fargo Bank, NA exchanged a fixed rate of 3.75% on the outstanding principal of the 2004 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 2004 Bonds.

The variable interest rates on all four of Masonic Villages' interest rate swap agreements are determined using 67% of the London Interbank Offered Rate (LIBOR). The variable interest rates on the 1999 Bonds, the 2001 Bonds, the 2002 Bonds, and the 2004 Bonds are determined by the remarketing agent based on the Securities Industry and Financial Markets Association (SIFMA) index, adjusted for market demand.

NOTE 10: Interest Rate Swap Agreements - Continued

On April 1, 2008, the Lancaster County Hospital Authority issued Variable Rate Demand/Fixed Rate Health Center Revenue bonds (Masonic Homes Project), Series 2008 (2008 Bonds) for $ 144,950,000. The proceeds of the 2008 Bonds were used to completely refund the outstanding principal of the 1999 Bonds, the 2001 Bonds, the 2002 Bonds, and the 2004 Bonds. Masonic Villages received the proceeds of the 2008 Bonds in four separate series that corresponded to the outstanding principal amount and repayment schedules of each of the refunded bond series. Series A of the 2008 Bonds ($ 37,420,000) replaced the 2001 Bonds. Series B of the 2008 Bonds ($ 34,725,000) replaced the 2002 bonds. Series C of the 2008 Bonds ($ 29,550,000) replaced the 2004 Bonds. Series D of the 2008 Bonds ($ 43,255,000) replaced the 1999 Bonds. The new bonds were structured in four separate series to correspond to outstanding principal amounts and repayment schedules of the four refunded bond issues. This approach enabled the interest rate swap agreements to continue to be used with the new variable rate demand bonds.

In January 2015, the interest rate swap agreement for the 2004 Bonds / 2008 Bonds (Series C) was terminated in connection with the refunding of the 2008 Bonds (Series C) in February 2015. This transaction is described in Note 11.

The interest rate swaps are recognized as an asset or liability on the consolidated balance sheets at their fair value. Changes in fair value are recorded as a change in unrealized appreciation or depreciation on the consolidated statements of operations and the consolidated statements of changes in net assets. As of December 31, 2015 and 2014, the fair values of Masonic Villages' interest rate swap agreements were as follows:

	2015	2014
Liabilities:		
1999 Bonds / 2008 Bonds (Series D) interest rate swap agreement	$ (11,733,600)	$ (12,169,477)
2001 Bonds / 2008 Bonds (Series A) interest rate swap agreement	(6,598,373)	(6,956,678)
2002 Bonds / 2008 Bonds (Series B) interest rate swap agreement	(6,589,894)	(6,922,930)
2004 Bonds / 2008 Bonds (Series C) interest rate swap agreement	-	(1,220,670)
	$ (24,921,867)	$ (27,269,755)

At both December 31, 2015 and 2014, the accumulated derivative loss which had been reported outside of the performance indicator was:

	2015	2014
1999 Bonds / 2008 Bonds (Series D) interest rate swap agreement	$ (7,215,803)	$ (7,215,803)
2001 Bonds / 2008 Bonds (Series A) interest rate swap agreement	(3,359,207)	(3,359,207)
2002 Bonds / 2008 Bonds (Series B) interest rate swap agreement	(3,510,225)	(3,510,225)
	$ (14,085,235)	$ (14,085,235)

By using derivative instruments, Masonic Villages is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair value gain in a derivative. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes Masonic Villages and, therefore, creates a repayment risk for Masonic Villages. When the fair value of a derivative contract is negative, Masonic Villages owes the counterparty and, therefore, it has no repayment risk. Masonic Villages minimizes the credit (or repayment) risk in derivative instruments by entering into transactions with high quality counterparties that are reviewed periodically by Masonic Villages' management.

NOTE 10: Interest Rate Swap Agreements - Continued

At December 31, 2015 and 2014, the net payments associated with the terms of the swap agreements totaled:

Fixed rate payments	2015	2014
1999 Bonds / 2008 Bonds (Series D) interest rate swap agreement	$ 1,663,748	$ 1,713,692
2001 Bonds / 2008 Bonds (Series A) interest rate swap agreement	1,213,381	1,262,333
2002 Bonds / 2008 Bonds (Series B) interest rate swap agreement	1,157,418	1,201,831
2004 Bonds / 2008 Bonds (Series C) interest rate swap agreement	-	609,492
Total fixed rate payments	4,034,547	4,787,348
Variable rate payments		
1999 Bonds / 2008 Bonds (Series D) interest rate swap agreement	(48,027)	(38,777)
2001 Bonds / 2008 Bonds (Series A) interest rate swap agreement	(39,214)	(32,106)
2002 Bonds / 2008 Bonds (Series B) interest rate swap agreement	(36,490)	(29,802)
2004 Bonds / 2008 Bonds (Series C) interest rate swap agreement	-	(15,784)
Total variable rate payments	(123,731)	(116,469)
Net payments to interest rate swap provider	$ 3,910,816	$ 4,670,879

NOTE 11: Long-Term Debt

On February 12, 2015, the Lancaster County Hospital Authority issued Fixed Rate Health Center Revenue Bonds (Masonic Villages Project), Series 2015 (2015 Bonds) for $ 44,195,000, plus a premium above the principal amount of $ 5,350,009. The proceeds of the 2015 Bonds and the premium were used to advance refund the outstanding principal of the Series of 2006 Bonds (2006 Bonds) and refund the 2008 Bonds (Series C), and to pay the cost of terminating the interest rate swap agreement corresponding to the principal repayment schedule of the 2008 Bonds (Series C). Some proceeds of the 2015 Bonds were also used to pay the issuance costs of the 2015 Bonds.

The refunding transaction will reduce Masonic Villages' aggregate debt service payments by approximately $ 6,456,000 through November 2036. Masonic Villages will recognize an economic gain or present value savings of approximately $ 3,933,000 over the life of the 2015 Bonds. The aggregate accounting loss on the refunding of the 2006 Bonds and 2008 Bonds (Series C) of $ 2,548,159 was recorded as an operating expense of Masonic Villages for the year ended December 31, 2015.

NOTE 11: Long-Term Debt - Continued

All of Masonic Villages' outstanding bonds are secured by a pledge of Masonic Villages' gross revenues. A summary of long-term debt at December 31, 2015 and 2014 follows:

	2015	2014
Lancaster County Hospital Authority (Series of 1996) - variable rate demand/fixed rate bonds, maturing through 2027	$ 12,530,000	$ 13,340,000
Lancaster County Hospital Authority (Series of 2006) - 4.00% to 5.00% bonds, maturing through 2036	-	33,320,000
Lancaster County Hospital Authority (Series of 2008) - variable rate demand bonds, maturing through 2034	91,815,000	109,430,000
Lancaster County Hospital Authority (Series of 2013) - variable rate demand bonds, maturing through 2038	36,605,000	37,765,000
Lancaster County Hospital Authority (Series of 2015) - 2.00% to 5.00% bonds, maturing through 2035	43,950,000	-
Total long-term debt	184,900,000	193,855,000
Add premium on bonds payable	4,906,273	794,051
Less current installments of long-term debt	(9,425,000)	(8,905,000)
	$ 180,381,273	$ 185,744,051

Under the terms of the bond purchase agreements with the Lancaster County Hospital Authority, the Masonic Villages is required to maintain certain deposits with the Trustee. Such deposits are included with assets whose use is limited in the consolidated financial statements. The loan agreements place limits on the incurrence of additional borrowing and require that the Masonic Villages satisfy certain measures of financial performance as long as the debt is outstanding. For the years ended December 31, 2015 and 2014, Masonic Villages met the minimum debt service coverage ratio contained in the loan agreements.

A schedule of principal repayments on long-term debt for the next five years and thereafter follows:

Bond Series	2016	2017	2018	2019	2020	Thereafter	Total
1996	$ 845,000	$ 875,000	$ 910,000	$ 945,000	$ 980,000	$ 7,975,000	$ 12,530,000
2008 (A)	1,285,000	1,345,000	1,400,000	1,460,000	1,525,000	21,865,000	28,880,000
2008 (B)	1,120,000	1,170,000	1,220,000	1,270,000	1,325,000	21,160,000	27,265,000
2008 (D)	1,175,000	1,230,000	1,295,000	1,360,000	1,425,000	29,185,000	35,670,000
2013	1,190,000	1,220,000	1,250,000	1,285,000	1,315,000	30,345,000	36,605,000
2015	3,810,000	3,925,000	4,070,000	4,255,000	1,270,000	26,620,000	43,950,000
	$ 9,425,000	$ 9,765,000	$ 10,145,000	$ 10,575,000	$ 7,840,000	$ 137,150,000	$ 184,900,000

The fair value of Masonic Villages' total outstanding bonds, based on quoted market prices, at December 31, 2015 and 2014 was approximately $ 189,133,000 and $ 195,485,000, respectively.

NOTE 11: Long-Term Debt - Continued

A summary of interest costs on borrowed funds and investment income on funds held by the Trustee under the bond purchase agreement during the years ended December 31, 2015 and 2014 follows:

2015	Capitalized	Interest Expense	Investment Income	Total
Bond premium amortization	$ -	$ (448,641)	$ -	$ (448,641)
Interest cost	635,308	2,372,562	-	3,007,870
Net payments to interest rate swap provider	-	3,910,816	-	3,910,816
Interest cost of borrowed funds capitalized for assets constructed with internal funds	-	-	-	-
Investment income - Funds held by Trustee	(15,262)	-	(1,648)	(16,910)
	$ 620,046	$ 5,834,737	$ (1,648)	$ 6,453,135
2014				
Bond premium amortization	$ -	$ (60,112)	$ -	$ (60,112)
Interest cost	1,055,755	1,765,685	-	2,821,440
Net payments to interest rate swap provider	-	4,670,879	-	4,670,879
Interest cost of borrowed funds capitalized for assets constructed with internal funds	117,989	(117,989)	-	-
Investment income - Funds held by Trustee	(48,948)	-	(118,424)	(167,372)
	$ 1,124,796	$ 6,258,463	$ (118,424)	$ 7,264,835

Masonic Villages and PNC Bank, NA (PNC) entered a Continuing Covenants Agreement on December 19, 2013 for PNC to directly purchase all outstanding principal of the 2013 Bonds. Under the terms of this agreement, PNC will hold the outstanding principal of the 2013 Bonds as an investment asset for a minimum of ten years. On August 29, 2013, Masonic Villages entered a Continuing Covenants Agreement with Wells Fargo Bank, NA (Wells Fargo) for Wells Fargo to directly purchase all outstanding principal of the 1996 Bonds and 2008 Bonds, Series A, B, and C. Under the terms of these agreements, Wells Fargo will hold the outstanding principal of the 1996 Bonds and the 2008 Bonds, Series A, B, and C as an investment asset for a minimum of five years. These agreements with Wells Fargo replaced previous agreements with three-year terms that were initiated in 2010. As required under the Continuing Covenants Agreement with Wells Fargo, Masonic Villages obtained Wells Fargo's consent prior to the refunding of the 2008 Bonds (Series C) through the issuance of the 2015 Bonds in February 2015. On August 23, 2013, J.P. Morgan Chase Bank, NA., agreed to provide a letter of credit to support the 2008 Bonds, Series D issued through the Lancaster County Hospital Authority. This letter of credit has a five-year term.

NOTE 12: Endowments

Masonic Villages' endowment consists of several individual funds established for a variety of purposes. Masonic Villages' endowment includes both donor-restricted endowment funds and funds designated by Masonic Villages' Board of Directors to function as an endowment. Net assets associated with endowment funds, including funds designated by Masonic Villages' Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 12: Endowments - Continued

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006. Guidance for the administration of endowment funds in Pennsylvania is provided in Act 141, which was passed by the Pennsylvania legislature in 1998. Under Act 141, Pennsylvania not-for-profit organizations are permitted to elect an annual amount that may be used from their endowment funds based on an annual spending rate between 2% and 7%. Act 141 permits the spending of accumulated principal and income from an endowment fund if the amount withdrawn is less than or equal to the annually elected percentage. Masonic Villages' interpretation of Act 141 classifies interest income, dividends, and capital appreciation earned by donor-restricted endowment fund investments as temporarily restricted activity. All interest income, dividends, and capital appreciation in excess of the annual spending amount are reported as temporarily restricted net assets available to be spent in subsequent years. Masonic Villages intends to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Masonic Villages 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 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. 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 Masonic Villages in a manner consistent with the standard of prudence described by Act 141.

Masonic Villages considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Masonic Villages, the purpose of the donor-restricted endowment fund, satisfaction of specific donor instructions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Masonic Villages, and the investment policy of the Consolidated Fund.

Masonic Villages has invested substantially all of its endowment assets in the Consolidated Fund. The Trustees of the Consolidated Fund have adopted an investment policy and strategies to achieve the greatest return possible for the amount of risk assumed by the Consolidated Fund. Under this policy, assets are invested in a manner intended to produce results that exceed the Consumer Price Index by 4.0% for the entire Consolidated Fund. There are also goals established for categories of fixed income and equity investments within the Consolidated Fund to meet or exceed the performance of appropriate generally recognized financial indices. Actual returns in any year may vary from these goals.

To satisfy the long-term rate-of-return objectives of the organizations participating in the Consolidated Fund, the Trustees of the Consolidated Fund rely 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 Consolidated Fund 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.

The Consolidated Fund investment policy includes specific guidance on the maximum amounts that each participating organization may withdraw from its Consolidated Fund investments each year. The maximum amount that may be withdrawn and spent is equal to a percentage of the three-year average fair value of a participating organization's Consolidated Fund investments. This approach is consistent with the provisions of Act 141. For the years ended December 31, 2015 and 2014, the spending percentage elected by the Trustees of the Consolidated Fund was 5.00%. In establishing this policy, the Trustees of the Consolidated Fund considered the long-term expected return on the endowment funds of the organizations participating in the Consolidated Fund.

NOTE 12: Endowments – Continued

Endowment net assets consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Board designated endowment funds	$ 1,186,740	$ 1,206,425
Donor restricted endowment funds, temporarily restricted portion	64,336,972	74,317,431
Donor restricted endowment funds, permanently restricted portion	168,385,891	167,464,577
	$ 233,909,603	$ 242,988,433

The changes in endowment net assets for the years ended December 31, 2015 and 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at January 1, 2014	$ 1,158,770	$ 69,815,327	$ 166,998,664	$ 237,972,761
Investment return:				
Investment income	18,762	3,821,326	-	3,840,088
Realized gains	54,144	12,044,674	-	12,098,818
Unrealized depreciation	(5,612)	(2,067,176)	-	(2,072,788)
Total investment return	67,294	13,798,824	-	13,866,118
Contributions and bequests	-	700	86,512	87,212
Income from perpetual trust held by third party	-	-	17,760	17,760
Transfers from unrestricted and temporarily restricted funds	-	-	282,198	282,198
Proceeds from liquidation of outside trusts	-	-	79,443	79,443
Appropriation of endowment assets for expenditure	(19,639)	(9,297,420)	-	(9,317,059)
Endowment net assets at December 31, 2014	1,206,425	74,317,431	167,464,577	242,988,433
Investment return:				
Investment income	18,064	3,596,170	-	3,614,234
Realized gains	72,242	15,151,332	-	15,223,574
Unrealized depreciation	(90,837)	(18,749,914)	-	(18,840,751)
Total investment return	(531)	(2,412)	-	(2,943)
Contributions and bequests	-	-	398,979	398,979
Income from perpetual trust held by third party	-	-	17,056	17,056
Transfers from unrestricted and temporarily restricted funds	-	-	501,331	501,331
Proceeds from liquidation of outside trusts	-	-	3,948	3,948
Appropriation of endowment assets for expenditure	(19,154)	(9,978,047)	-	(9,997,201)
Endowment net assets at December 31, 2015	$ 1,186,740	$ 64,336,972	$ 168,385,891	$ 233,909,603

NOTE 12: Endowments – Continued

The amounts reported as appropriation of temporarily restricted endowment assets for expenditure consist of two components. Income from donor restricted endowments recognized as unrestricted investment income in the statement of operations totaled \$ 3,554,565 and \$ 3,765,601, respectively, for the years ended December 31, 2015 and 2014. Amounts withdrawn from the endowments and reported as satisfaction of program restrictions in the statements of operations and changes in net assets for the years ended December 31, 2015 and 2014 totaled \$ 6,423,482 and \$ 5,531,819, respectively.

NOTE 13: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	2015	2014
Support of Masonic Villages and its activities	\$ 2,181,513	\$ 2,251,414
Support of Children's Home and its activities	3,606,416	3,839,174
Support of Residential program for developmentally disabled individuals	144,875	153,624
Scholarship awards	1,955,956	1,972,540
General operations of the organization	56,448,212	66,100,679
Total endowment funds	64,336,972	74,317,431
Support of Masonic Villages and its activities	1,141,163	1,159,083
Support of Children's Home and its activities	92,471	109,678
Building renovations and construction projects	300,061	302,200
Care and support of eligible Retirement Living residents	2,070,423	2,066,531
Scholarship awards	308,340	448,142
General operations of the organization	2,484,527	2,009,422
	6,396,985	6,095,056
Total temporarily restricted funds	\$ 70,733,957	\$ 80,412,487

NOTE 14: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following purposes at December 31, 2015 and 2014:

	2015	2014
Investment in perpetuity, the investment income from which is expendable to support:		
Support of Masonic Villages and its activities	\$ 2,959,329	\$ 2,703,365
Support of Children's Home and its activities	10,328,280	9,903,404
Support of Residential program for developmentally disabled individuals	425,144	407,516
Scholarship awards	1,438,288	1,318,029
General operations of the organization	153,234,850	153,132,263
Total endowment funds	168,385,891	167,464,577
General operations of the organization	40,539,620	45,402,740
Total perpetual trusts held by third parties	40,539,620	45,402,740
	\$ 208,925,511	\$ 212,867,317

NOTE 15: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors. The amounts released during the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Purpose restrictions accomplished:		
Support of Masonic Villages and its activities	$ 10,982	$ 14,684
Support of Children's Home and its activities	175,747	208,899
Support of Residential Care and its activities	3,895	2,870
General operations of the organization	6,420,445	5,589,666
Care and support of eligible Retirement Living residents	507,859	520,171
Scholarship awards	89,608	74,196
Satisfaction of restrictions - Operations	7,208,536	6,410,486
Satisfaction of restrictions - Purchase of property and equipment	407,768	853,705
	$ 7,616,304	$ 7,264,191

During the years ended December 31, 2015 and 2014, assets totaling $ 120,000 and $ 282,198, respectively, were transferred from the unrestricted Charitable Gift Annuity Reserve Fund into the permanently restricted endowment fund in accordance with donor restrictions. These assets were transferred upon the deaths of the donors and the corresponding termination of charitable gift annuity arrangements.

During the year ended December 31, 2015, assets totaling $381,331 were transferred from unrestricted to permanently restricted endowment funds. The transferred assets consisted primarily of the proceeds from the sale of real estate previously donated to Masonic Villages. The individuals who contributed the real estate specified the sales proceeds from the properties should be added to certain permanently restricted endowment funds.

NOTE 16: Retirement Plans

Masonic Villages and Grand Lodge have a noncontributory defined benefit pension plan covering substantially all employees as of December 31, 2010. The benefits are based on achieving a minimum of five years of service and the employee's average annual compensation for the five highest consecutive years of service. The employer contributions to the Plan are determined annually by the Grand Lodge Committee on Finance within limits established by the Employee Retirement Income Security Act (ERISA) of 1974. Masonic Villages contributed $ 5,200,000 to the Plan during each of the years ended December 31, 2015 and 2014. Contributions provide for benefits earned to date as well as benefits expected to be earned in the future.

In September 2010, the Administrators of the Pension Plan and the Grand Lodge Committee on Finance adopted an amendment to the noncontributory defined benefit pension plan. The amendment resulted in ceasing all benefit accruals as of December 31, 2010. Grand Lodge and Masonic Villages will terminate the defined benefit pension plan when the plan's assets equal or exceed the projected benefit obligation. When this occurs, the defined benefit pension plan will purchase annuity contracts from insurance companies to provide the guaranteed retirement income for eligible employees. The plan may also be amended and lump sum payments issued to certain participants. The goal of the Administrators of the Pension Plan is to terminate the defined benefit plan within the next year if fully funded. The Administrators of the Pension Plan also adopted a resolution to implement a defined contribution retirement plan effective January 1, 2011. The new defined contribution retirement plan, which is funded by contributions from both the employer and employees, replaced the defined benefit pension plan.

NOTE 16: Retirement Plans - Continued

Generally accepted accounting principles require an employer to recognize the over-funded or under-funded status of a defined benefit post-retirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. An employer must measure the funded status of a plan as of the date of its year-end statement of financial position. The measurement date requirement has been met, since the fiscal year of the noncontributory defined benefit pension plan is already consistent with the Masonic Villages' fiscal year. The recognition of the change in the accrued pension liability is reported separately from net periodic pension expense. The net change in the accrued pension liability reported in the statement of changes in net assets for the years ended December 31, 2015 and 2014 consists of the following:

	2015	2014
Amortization of net gain	$ 1,484,054	$ -
Net actuarial gain (loss)	5,101,769	(28,370,777)
	$ 6,585,823	$ (28,370,777)

The estimated amount that will be amortized from unrestricted net assets into net periodic pension expense in 2016 is $ 974,000.

The following table sets forth the Masonic Villages' share of plan obligations and plan assets and amounts recognized in the consolidated financial statements at and for the years ended December 31, 2015 and 2014:

	2015	2014
Change in projected benefit obligation for service rendered to date:		
Projected benefit obligation at January 1	$ 131,912,000	$ 102,245,000
Service cost	351,917	315,769
Interest cost	5,273,875	5,156,593
Actuarial (gain) loss	(12,115,947)	27,870,636
Settlements	(176,141)	(208,514)
Expenses paid	(359,872)	(345,333)
Benefits paid	(3,451,832)	(3,122,151)
Projected benefit obligation at December 31	121,434,000	131,912,000
Change in plan assets, primarily stocks and bonds:		
Plan assets at fair value at January 1	107,283,352	100,204,388
Actual return on plan assets	(542,314)	5,554,962
Employer contributions	5,200,000	5,200,000
Settlements	(176,141)	(208,514)
Expenses paid	(359,872)	(345,333)
Benefits paid	(3,451,832)	(3,122,151)
Plan assets at fair value at December 31	107,953,193	107,283,352
Projected benefit obligation in excess of plan assets at December 31	$ (13,480,807)	$ (24,628,648)
Accrued pension cost at December 31	$ (13,480,807)	$ (24,628,648)
Accumulated benefit obligation at December 31	$ 121,434,000	$ 131,912,000

NOTE 16: Retirement Plans - Continued

	2015	2014
Net pension cost for 2015 and 2014 includes the following components:		
Service cost - Benefits earned during the year	$ 351,917	$ 315,769
Interest cost on projected benefit obligation	5,273,875	5,156,593
Expected return on plan assets	(6,471,864)	(6,055,103)
Net amortization and deferrals	1,484,054	-
Net periodic pension cost	$ 637,982	$ (582,741)
Benefits paid	$ 3,451,832	$ 3,122,151

The following assumptions were used in determining the actuarial present value of the projected benefit obligation and the long-term rate of return on assets:

	2015	2014
Weighted discount rate	4.05%	5.15%
Rate of compensation increase	0.00%	0.00%
Long-term rate of return on assets	6.00%	6.00%

The overall expected long-term rate of return on assets assumption (6.00%) is based upon the defined benefit pension plan's past investment performance and the general economic conditions at the time the annual pension calculations are prepared. The defined benefit pension plan's investment objective is to achieve the greatest return possible for the amount of risk assumed. To achieve this objective, the defined benefit pension plan's investment policy establishes target asset allocation percentages and permissible ranges of asset allocations between equity securities and fixed income securities. The goal to terminate the defined benefit pension plan resulted in significant changes to the investment strategy. In 2011, the defined benefit pension plan adopted a liability driven investment strategy focused on accumulating the assets necessary to terminate the plan. The target percentages for the years ended December 31, 2015 and 2014 were 30% in risk assets such as equity securities and 70% in fixed income and cash equivalents, with a permissible additional range of 30% for risk assets and 30% for fixed income securities. There are additional target allocations established for subcategories of potential investments within the equity and fixed income categories. These targets and ranges are periodically reviewed by the administrators of the defined benefit pension plan and adjusted when necessary to meet changes in financial market conditions and future benefit payment requirements.

The investments in the defined benefit pension plan as of December 31, 2015 consisted of approximately 47% in equity securities, 47% in fixed income securities, and approximately 6% in cash equivalents. As of December 31, 2014, the investments in the defined benefit pension plan consisted of approximately 25% in equity securities, 63% in fixed income securities, and approximately 12% in cash equivalents.

The defined benefit pension plan measures the fair value of its investments in accordance with generally accepted accounting principles. Generally accepted accounting principles for fair value measurements are described in Note 22.

NOTE 16: Retirement Plans – Continued

The fair values of the defined benefit pension plan's investments (including Grand Lodge's share) measured on a recurring basis are as follows:

At December 31, 2015	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government securities	$ 5,794,575	$ -	$ 5,794,575	$ -
Asset backed securities	15,591,915	-	15,591,915	-
Mortgage backed securities	5,964,907	-	5,964,907	-
Corporate debt:				
A credit rating	680,130	-	680,130	-
Baa credit rating	635,127	-	635,127	-
Bbb credit rating	1,291,927	-	1,291,927	-
Unrated	12,846,017	-	12,846,017	-
Total corporate debt	15,453,201	-	15,453,201	-
Registered investment companies:				
Fixed income fund	7,428,801	7,428,801	-	-
Total registered investment companies	7,428,801	7,428,801	-	-
Exchange traded funds	53,247,611	53,247,611	-	-
Municipal bonds:				
Unrated	2,285,084	-	2,285,084	-
Total municipal bonds	2,285,084	-	2,285,084	-
Money market funds	7,828,766	-	7,828,766	-
	$ 113,594,860	$ 60,676,412	$ 52,918,448	$ -

NOTE 16: Retirement Plans – Continued

At December 31, 2014	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic and international common stocks:				
Consumer staples and discretionary	$ 2,906,462	$ 2,906,462	$ -	$ -
Energy	125,350	125,350	-	-
Financial	933,411	933,411	-	-
Health care	270,792	270,792	-	-
Industrials	1,854,373	1,854,373	-	-
Information technology	233,038	233,038	-	-
Materials	257,962	257,962	-	-
Telecommunications services	336,569	336,569	-	-
Transportation	219,597	219,597	-	-
Total domestic and international common stocks	7,137,554	7,137,554	-	-
U.S. Government securities	9,840,121	-	9,840,121	-
Asset backed securities	19,474,410	-	19,474,410	-
Mortgage backed securities	13,081,950	-	13,081,950	-
Corporate debt:				
Aa credit rating	258,878	-	258,878	-
A credit rating	1,136,637	-	1,136,637	-
Bbb credit rating	734,151	-	734,151	-
Unrated	15,021,399	-	15,021,399	-
Total corporate debt	17,151,065	-	17,151,065	-
Registered investment companies:				
Fixed income fund	2,630,887	-	2,630,887	-
Total registered investment companies	2,630,887	-	2,630,887	-
Exchange traded funds	20,688,651	20,688,651	-	-
Municipal bonds:				
Unrated	6,991,099	-	6,991,099	-
Total municipal bonds	6,991,099	-	6,991,099	-
Demand notes	146,064	-	146,064	-
Money market funds	15,624,642	-	15,624,642	-
	$ 112,766,443	$ 27,826,205	$ 84,940,238	$ -

NOTE 16: Retirement Plans – Continued

The following benefit payments are expected to be made from the Masonic Villages portion of the defined benefit pension plan during the years ending December 31:

2016	$ 3,855,000
2017	4,225,000
2018	4,582,000
2019	4,961,000
2020	5,315,000
2021 through 2025	32,142,000
	$ 55,080,000

Masonic Villages will not make an estimated contribution to the defined benefit pension plan during the year ending December 31, 2016.

In addition to the noncontributory defined benefit plan, Masonic Villages sponsors a retirement plan established under Section 403 (b) of the Internal Revenue Code. This retirement plan is available to substantially all Masonic Villages' employees and is funded by contributions made by employees and Masonic Villages to a third party administrator. Annual contributions by the employees are subject to maximum limits established by federal legislation. Masonic Villages made contributions to the defined contribution retirement plan totaling $ 2,984,587 and $ 2,689,352 during the years ended December 31, 2015 and 2014, respectively. Masonic Villages also incurred administrative costs related to the defined contribution retirement plan totaling $ 10,100 and $ 10,372 during the years ended December 31, 2015 and 2014, respectively.

In April 2012, Masonic Villages established a noncontributory retirement plan under Section 457 (b) of the Internal Revenue Code. This retirement plan is available to certain senior management employees of Masonic Villages and is funded solely by contributions made by employees to a third party administrator. Annual contributions by the employees are subject to maximum limits established by federal legislation. Accumulated assets of this noncontributory retirement plan are included in Masonic Villages' investments with a corresponding liability reported in accrued expenses on the balance sheets. Masonic Villages incurred administrative costs related to this noncontributory retirement plan totaling $ 5,733 and $ 3,900 during the years ended December 31, 2015 and 2014, respectively.

NOTE 17: Resident Service Revenue

Masonic Villages has agreements with third-party payors that provide for reimbursement to the Masonic Villages at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. Masonic Villages' major third-party payors are Medicare and Medicaid.

For the years ended December 31, 2015 and 2014, services rendered to Medicare program beneficiaries were reimbursed on a prospective payment system or fee schedule, depending on the medical services provided. Under the prospective payment system, Masonic Villages is reimbursed according to the beneficiaries' acuity level and services provided. Under the fee schedule, Masonic Villages is reimbursed the lesser of its charge or the allowable amount per the fee schedule.

Services rendered to Medicaid program beneficiaries are reimbursed based on a prospective case-mix payment system. Under this system, nursing facilities are categorized into peer groups based on geographic location and number of certified beds. The Commonwealth of Pennsylvania's Department of Human Services (Department) establishes per diem rates to reimburse nursing facilities using peer group data adjusted for each individual facility's resident acuity.

NOTE 17: Resident Service Revenue - Continued

In January 2005, the Department implemented a nursing facility assessment program for nursing facilities operating in Pennsylvania. Under this program, the Department collects an assessment from nursing facilities operating in Pennsylvania based on each facility's assessment days. The payments received by the Department from this quarterly assessment are used to obtain federal matching funds to maintain reimbursement for those nursing facilities participating in the Medicaid program. Masonic Villages recognized nursing assessment costs of $ 1,739,324 and $ 1,725,774 for the years ended December 31, 2015 and 2014, respectively. Nursing assessment costs are reported as a component of other operating expenses by Masonic Villages in the consolidated statements of operations. Masonic Villages recognized increased Medicaid reimbursement of $ 2,980,813 and $ 3,070,512 from the nursing assessment program for the years ended December 31, 2015 and 2014, respectively. Increased Medicaid reimbursement from the nursing assessment program is reported as a component of contractual adjustments under third party programs. The amount of additional reimbursement recognized as an estimated third party settlement receivable at December 31, 2015 and 2014 was $ 778,707 and $ 759,039, respectively.

Masonic Villages recognizes resident service revenue associated with services provided to residents who have third party coverage on the basis of contractual rates for the services rendered. For uninsured private pay residents that qualify for charity care, Masonic Villages recognizes revenue on the basis of its standard rates for services provided, reduced by the estimated portion of the standard rate the resident is unable to pay. The estimated portion of the standard rate the resident is unable to pay is recognized as a charity care allowance. For uninsured private pay residents that do not qualify for charity care, Masonic Villages recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of Masonic Villages' uninsured private pay residents that do not qualify for charity care will be unable or unwilling to pay for the services provided. Masonic Villages records a provision for bad debts related to these uninsured private pay residents in the period the services are provided.

Masonic Villages' major payor sources consist of the Medicaid and Medicare programs, other third party payors (primarily commercial insurance and managed care organizations), and private pay individuals. Resident service revenue, net of contractual and charity care allowances provided (but before the provision for bad debts), recognized in the consolidated statements of operations for the years ended December 31, 2015 and 2014 from these major payor sources is as follows:

	2015			
	Medicare and Medicaid	**Other Third Party Payors**	**Private Pay**	**Total**
Gross resident service revenue	$ 56,645,070	$ 24,300,922	$ 95,037,945	$ 175,983,937
Less provisions for:				
Contractual adjustments under third party reimbursement programs	18,364,886	13,206,717	-	31,571,603
Charity care allowances	-	-	11,144,034	11,144,034
Net resident service revenue, before provision for bad debts	$ 38,280,184	$ 11,094,205	$ 83,893,911	$ 133,268,300

NOTE 17: Resident Service Revenue – Continued

	2014			
	Medicare and Medicaid	Other Third Party Payors	Private Pay	Total
Gross resident service revenue	$ 48,095,286	$ 20,533,777	$ 95,977,510	$ 164,606,573
Less provisions for:				
Contractual adjustments under third party reimbursement programs	14,829,339	11,065,759	-	25,895,098
Charity care allowances	-	-	10,418,188	10,418,188
Net resident service revenue, before provision for bad debts	$ 33,265,947	$ 9,468,018	$ 85,559,322	$ 128,293,287

NOTE 18: Charity Care and Community Service

Masonic Villages' mission has been to provide services to residents, regardless of their ability to pay, who have medical, social, or financial need.

Masonic Villages provides services to adult individuals who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Criteria considered in Masonic Villages' charity care policy include the income and net worth of the adult individuals applying for charity care. Adult individuals applying for charity care must also be determined to be ineligible for reimbursement from applicable government programs for the services to be provided. Charity care may be provided to qualifying adult individuals for Personal Care, Retirement Living, Residential Care, and certain medical and nonmedical ancillary services. All services provided in the Children's Home are provided as charity care.

Masonic Villages maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges forgone based on established rates for the services and supplies furnished under its charity care policy. Charges forgone for charity care are excluded from net resident service revenue recorded by Masonic Villages. The cost to provide charity care is estimated on an annual basis for each service area providing charity care. Estimated charity care costs for an individual service area are determined by multiplying the individual service area's forgone charges by the ratio of the individual service area's direct and allocated indirect expenses to its gross charges. Masonic Villages' aggregate estimated cost of providing charity care is the sum of the charity care costs calculated for the individual service areas.

Charges forgone for charity care and the estimated costs of providing charity care for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Charges forgone	$ 11,144,034	$ 10,418,188
Estimated cost to provide charity care	$ 8,977,488	$ 8,923,072

NOTE 18: Charity Care and Community Service – Continued

Masonic Villages has received contributions restricted for the care and support of Retirement Living residents eligible for charity care. These contributions are recorded as temporarily restricted net assets and periodically released from restriction to subsidize charges forgone to provide charity care to Retirement Living residents. Net assets released from donor restriction to subsidize charity care provided to Retirement Living residents totaled $ 507,859 and $ 520,171 for the years ended December 31, 2015 and 2014, respectively.

Masonic Villages also participates in the Medicare and Medical Assistance programs which make payment for services provided to financially eligible residents at rates which are less than the cost of such services. Management estimates the unpaid costs of these programs are approximately $ 13,584,000 and $ 11,028,000 in 2015 and 2014, respectively.

Masonic Villages conducts two programs that benefit people not residing at the Elizabethtown campus. The Home Assistance program (Home Assistance) provides financial resources and other services to Pennsylvania Masons and their families in need. Home Assistance is provided in two forms: charity care and temporary assistance. The cost of providing Home Assistance totaled $ 42,804 and $ 43,209 for the years ended December 31, 2015 and 2014, respectively. Masonic Villages has also established an Outreach program (Outreach) to assist individuals in their communities. People contacting Outreach receive information about various aspects of long-term care, including government programs available, selecting a long-term care facility, insurance, transportation, and counseling. The cost of Outreach totaled $ 1,886 and $ 1,843 for the years ended December 31, 2015 and 2014, respectively.

During 2015 and 2014, Masonic Villages permitted its meeting and conference facilities to be used by several not-for-profit organizations, including the Pennsylvania Masonic Youth Foundation and the Elizabethtown Area School District. Masonic Villages received no rental fees for the use of the meeting and conference facilities. The cost of providing this service to these organizations totaled approximately $ 217,000 and $ 208,000 for the years ended December 31, 2015 and 2014, respectively.

Masonic Villages made contributions of cash and in-kind services to not-for-profit organizations in the communities it serves. For the years ended December 31, 2015 and 2014, these contributions totaled $ 139,745 and $ 108,254, respectively. Masonic Villages also awarded scholarships to several individuals. Individuals receiving scholarships included graduating high school students based on academic achievement, financial need, and community service. Scholarships for child day care services were awarded for pre-school age children whose families met certain financial need criteria as specified in the Pennsylvania Educational Improvement Tax Credit program. Scholarship payments totaled $ 109,202 and $ 83,300 for the years ended December 31, 2015 and 2014.

NOTE 19: Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a natural basis in the consolidated statements of operations. The following table summarizes operating expenses on a functional basis for the years ended December 31, 2015 and 2014.

	2015	2014
Program Services:		
Nursing Care	$ 58,183,132	$ 55,558,142
Medical Ancillary Clinics	6,842,685	5,928,934
Pharmacy	5,511,193	4,666,823
Personal Care	8,524,385	8,368,758
Retirement Living	43,586,484	40,734,424
Children's Home	2,048,047	2,036,812
Adult Daily Living Center	321,233	290,176
Residential Care Program	268,569	273,958
Hospice	2,104,192	2,119,532
Wellness Center	955,677	949,850
Home Care Services	758,188	679,718
Community Services	206,442	185,311
Child Day Care Center	2,128,279	2,050,291
Conference Facilities	2,638,395	2,496,450
Contributions to Affiliates	2,696,977	2,639,371
Employee Housing and Rental Property	378,204	1,271,305
Farm	1,710,706	1,313,687
Communications Services	632,522	572,196
Admissions and Resident Services	1,931,635	1,922,235
Support Services	4,207,350	4,029,318
Maintenance	7,416,810	7,773,620
Food Services	5,642,544	5,276,164
Total program services expense	158,693,649	151,137,075
Management and general - Administration	21,678,827	18,132,070
Fundraising - Gift Planning	1,664,257	991,173
	$ 182,036,733	$ 170,260,318

NOTE 20: Transactions with Affiliated Organizations

Contributions from Affiliated Organizations

Masonic Villages receives contributions from certain Grand Lodge permanently restricted net assets. The contributions are made from trusts established by the donors to benefit needy Masons, widows, and children. Contributions were received by Masonic Villages from the following trusts for the years ended December 31, 2015 and 2014:

	2015	2014
Thomas Ranken Patton Contingency Fund	$ 601,458	$ 605,253
Thomas Ranken Patton Masonic Institution for Boys	71,128	72,929
Thomas Ranken Patton Memorial Charity Fund	438,000	437,640
Henry C. and Anna C. Ellis Trust	17,349	19,534
Joseph W. Murray Memorial Fund	14,844	15,220
Charles W. Jackson McClary Memorial Fund #1	3,852	8,235
	$ 1,146,631	$ 1,158,811

The Pennsylvania Masonic Youth Foundation contributed $ 21,399 to Masonic Villages for the year ended December 31, 2014. These contributions represent the proceeds from contributions received by the Pennsylvania Masonic Youth Foundation restricted for the purchase of furniture for the conference facilities used by the Pennsylvania Masonic Youth Foundation and owned by Masonic Villages. Masonic Villages purchased the furniture as part of a remodeling project for the conference facilities. Since Masonic Villages incurred the cost to purchase the assets identified by the donor, the Pennsylvania Masonic Youth Foundation elected to reimburse Masonic Villages with the proceeds from the contributions, thereby fulfilling the donor's request.

These contributions from Grand Lodge and the Pennsylvania Masonic Youth Foundation are included in non-operating gains for the years ended December 31, 2015 and 2014.

Contributions to Affiliated Organizations

Masonic Villages made contributions to the following related 501(c)(3) charitable organizations:

	2015	2014
Pennsylvania Masonic Youth Foundation	$ 475,445	$ 513,984
The Masonic Library and Museum of Pennsylvania	2,221,533	2,124,960
	$ 2,696,978	$ 2,638,944

These contributions consisted of cash, the use of Masonic Villages' facilities, and donated services provided by Masonic Villages' employees. These annual contributions to the Pennsylvania Masonic Youth Foundation and the operation of the Children's Home support Masonic Villages' mission to improve the welfare of children.

Masonic Villages made contributions totaling $ 2,221,533 to The Masonic Library and Museum of Pennsylvania (Masonic Library and Museum) for the year ended December 31, 2015. These contributions consisted of cash payments of $ 2,203,682 and donated services provided by Masonic Villages' employees with a cost of $ 17,851.

NOTE 20: Transactions with Affiliated Organizations - Continued

Contributions to Affiliated Organizations - Continued

Masonic Villages made contributions totaling $ 2,124,960 to The Masonic Library and Museum of Pennsylvania (Masonic Library and Museum) for the year ended December 31, 2014. These contributions consisted of cash payments of $ 2,113,387 and donated services provided by Masonic Villages' employees with a cost of $ 11,573.

Administrative and Program Service Expenses

For the years ended December 31, 2015 and 2014, Masonic Villages' employees provided human resources, accounting, and information technology services to Grand Lodge under an expense reimbursement arrangement with Masonic Villages. Masonic Villages' costs for these services allocated to Grand Lodge for the years ended December 31, 2015 and 2014 were $ 7,083 and $ 10,943, respectively. Reimbursement received for these costs is included in other operating revenue on the consolidated statements of operations.

During the years ended December 31, 2015 and 2014, Masonic Villages' employees provided human resources, accounting, fundraising, and information technology services to the Masonic Library and Museum under a contribution arrangement with Masonic Villages. Masonic Villages' costs for these services contributed to the Masonic Library and Museum totaled $ 17,851 and $ 11,573 for 2015 and 2014, respectively, and are included in operating expenses on the consolidated statements of operations.

Masonic Villages' employees also provided accounting, fundraising, and information technology services to the Pennsylvania Masonic Youth Foundation under a contribution arrangement with Masonic Villages. Masonic Villages' costs for these services contributed to the Pennsylvania Masonic Youth Foundation for the years ended December 31, 2015 and 2014 were $ 21,346 and $ 21,044, respectively. These costs are included in operating expenses on the consolidated statements of operations.

During 2015 and 2014, Masonic Villages' employees provided fundraising services to the Masonic Charities Fund under an expense reimbursement arrangement with Masonic Villages. Masonic Villages' cost for these services allocated to the Masonic Charities Fund for the years ended December 31, 2015 and 2014 were $ 56,991 and $ 56,978, respectively, and are included in other operating revenue on the consolidated statements of operations.

For the years ended December 31, 2015 and 2014, Masonic Villages' employees provided administrative and program services to the Pennsylvania Masonic Youth Foundation. Masonic Villages' costs for these services contributed to the Pennsylvania Masonic Youth Foundation for the years ended December 31, 2015 and 2014 were $ 311,931 and $ 359,247, respectively. These costs are included in operating expenses on the consolidated statements of operations.

Use of Facilities

The Pennsylvania Masonic Youth Foundation conducts most of its activities at conference facilities owned by Masonic Villages. The use of these conference facilities was provided to the Pennsylvania Masonic Youth Foundation under a contribution arrangement with Masonic Villages. Masonic Villages' costs for the use of the conference facilities contributed to the Pennsylvania Masonic Youth Foundation for the years ended December 31, 2015 and 2014 were $ 139,746 and $ 130,390, respectively. These costs are included in operating expenses on the consolidated statements of operations.

NOTE 21: Split-Interest Agreements

Masonic Villages has entered into several split-interest agreements with donors. These split-interest agreements include charitable gift annuities, charitable remainder unitrusts, charitable lead trusts, and perpetual trusts held by third parties. Under split-interest agreements, a donor makes an initial gift to a trust or directly to Masonic Villages in which Masonic Villages has a beneficial interest. Donated assets are maintained by a trust or Masonic Villages and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, any remaining assets covered by the agreement are distributed to Masonic Villages.

Assets received under split-interest agreements are recorded at the fair value of the assets on the date received. Liabilities to beneficiaries are recorded at the net present value of expected payments based upon the amount of the contribution, any contractual rate of return, and the life expectancy of the beneficiary. Contribution revenue is classified as either unrestricted or temporarily restricted based on the existence of any donor imposed conditions in the split-interest agreement.

As of December 31, 2015 and 2014, the fair value of assets recognized under split-interest agreements by Masonic Villages, consisting principally of cash and investments, was as follows:

	2015	2014
Perpetual trusts held by third parties	$ 40,539,620	$ 45,402,740
Charitable gift annuities	37,777,833	42,555,818
Charitable remainder unitrusts	540,755	614,063
	$ 78,858,208	$ 88,572,621

Contribution revenues recognized by Masonic Villages under split-interest agreements for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Unrestricted -		
Charitable gift annuities	$ 301,562	$ 3,486,206
Temporarily restricted -		
Charitable lead trust	65,420	-
Total unrestricted and restricted	$ 366,982	$ 3,486,206

Masonic Villages is an income beneficiary of several perpetual trusts held by third parties. Distributions of income are made at the discretion of the trustees. Income distributed to the Masonic Villages by perpetual trusts held by third parties amounted to $ 1,809,156 and $ 1,789,799 for the years ended December 31, 2015 and 2014, respectively.

During the year ended December 31, 2014, Masonic Villages entered into a single-life charitable gift annuity agreement with a donor in which the donor specified that his designee had the power to direct the disposition of 90% of the residual assets at the conclusion of the annuity to qualified charitable organizations. Masonic Villages will be the recipient of the remaining 10% of the residual assets. The present value of the estimated 90% of the residual assets subject to the power of appointment at the conclusion of the annuity totaled $ 11,799,147 and $ 13,786,134 as of December 31, 2015 and 2014, respectively. This amount is recognized as a charitable remainder contribution payable to others on the consolidated balance sheet.

NOTE 22: Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products, and exchange traded equities.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and internally developed values with little uncertainty.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement including the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and internally developed values with significant uncertainty.

NOTE 22: Fair Value Measurements – Continued

As described in Note 6, Masonic Villages' most significant investment is its share of the Consolidated Fund. The fair values of the Consolidated Fund's assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

At December 31, 2015	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic and international common stocks:				
Consumer staples and discretionary	$ 64,359,399	$ 64,359,399	$ -	$ -
Energy	7,717,839	7,717,839	-	-
Financial	31,062,993	31,062,993	-	-
Industrials	60,743,842	60,743,842	-	-
Information technology	340,671	340,671	-	-
Materials	9,348,026	9,348,026	-	-
Transportation	5,961,481	5,961,481	-	-
Telecommunications services	4,547,595	4,547,595	-	-
Total domestic and international common stocks	184,081,846	184,081,846	-	-
U.S. Government securities	10,393,906	-	10,393,906	-
Domestic corporate bonds:				
Aa credit rating	547,570	-	547,570	-
A credit rating	5,624,868	-	5,624,868	-
Baa credit rating	419,150	-	419,150	-
Bb credit rating	540,240	-	540,240	-
Bbb credit rating	7,271,659	-	7,271,659	-
Unrated	69,512,110	-	69,512,110	-
Total domestic corporate bonds	83,915,597	-	83,915,597	-
Municipal bonds:				
Unrated	7,799,815	-	7,799,815	-
Total municipal bonds	7,799,815	-	7,799,815	-
Mutual funds - Equity securities	160,994,165	142,693,091	18,301,074	-
Exchange traded funds	108,738,219	108,738,219	-	-
Limited partnership - International	569,569	-	-	569,569
Mortgage backed securities	22,459,501	-	22,459,501	-
Asset backed securities	29,790,091	-	29,790,091	-
Demand notes	97,946	-	97,946	-
Real estate investment trusts	921,572	921,572	-	-
Money Market funds	67,175,778	-	67,175,778	-
	$ 676,938,005	$ 436,434,728	$ 239,933,708	$ 569,569

NOTE 22: Fair Value Measurements – Continued

At December 31, 2014	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic and international common stocks:				
Consumer staples and discretionary	$ 63,521,299	$ 63,403,566	$ 117,733	$ -
Energy	10,058,824	10,058,824	-	-
Financial	31,764,575	31,764,575	-	-
Health care	7,371,090	7,371,090	-	-
Industrials	54,152,041	54,049,646	102,395	-
Information technology	8,629,448	8,512,589	116,859	-
Materials	16,151,168	16,151,168	-	-
Transportation	8,773,579	8,773,579	-	-
Telecommunications services	6,462,238	6,462,238	-	-
Total domestic and international common stocks	206,884,262	206,547,275	336,987	-
U.S. Government securities	11,399,188	-	11,399,188	-
Domestic corporate bonds:				
Aa credit rating	3,208,160	-	3,208,160	-
A credit rating	5,212,629	-	5,212,629	-
Bb credit rating	568,445	-	568,445	-
Bbb credit rating	10,136,485	-	10,136,485	-
Unrated	65,509,270	-	65,509,270	-
Total domestic corporate bonds	84,634,989	-	84,634,989	-
Municipal bonds:				
Unrated	9,182,318	-	9,182,318	-
Total municipal bonds	9,182,318	-	9,182,318	-
Mutual funds - Equity securities	220,246,472	168,370,191	51,876,281	-
Exchange traded funds	82,780,102	82,780,102	-	-
Limited partnership - International	683,575	-	-	683,575
Mortgage backed securities	19,604,513	-	19,604,513	-
Asset backed securities	23,026,022	-	23,026,022	-
Demand notes	632,944	-	632,944	-
Real estate investment trusts	559,289	559,289	-	-
Money Market funds	22,979,708	-	22,979,708	-
	$ 682,613,382	$ 458,256,857	$ 223,672,950	$ 683,575

NOTE 22: Fair Value Measurements – Continued

The Consolidated Fund has investments in certain financial instruments whose fair values are determined using significant unobservable inputs. This feature may limit the ability of the Consolidated Fund to liquidate these financial instruments quickly if necessary. Financial instruments whose fair values are determined using significant unobservable inputs and their redemption features are as follows as of December 31, 2015 and 2014:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
At December 31, 2015				
Limited partnership - International	$ 569,569	$ -	Quarterly	45 Days

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
At December 31, 2014				
Limited partnership - International	$ 683,575	$ -	Quarterly	45 Days

The redemption restrictions for these financial instruments are included in the contracts with the investment management firms responsible for these investments. The Consolidated Fund started the process of completely redeeming its collective investment fund – hedge funds in early 2009. The Consolidated Fund expects liquidations of special investment funds created from the redemption process will occur over the next several years at the fair value reported as of December 31, 2015.

Changes in the Consolidated Fund's investments in financial instruments whose fair values are determined using significant unobservable inputs were as follows for the years ended December 31, 2015 and 2014:

	Total	Collective Investment Fund - Hedge Funds	Limited Partnership - International
Fair value at January 1, 2014	$ 1,138,670	$ 348,532	$ 790,138
Realized gains (losses)	23,010	(23,465)	46,475
Unrealized gains	69,613	26,697	42,916
Sales	(547,718)	(351,764)	(195,954)
Fair value at December 31, 2014	683,575	-	683,575
Realized gains	53,380	-	53,380
Unrealized losses	(28,268)	-	(28,268)
Sales	(139,118)	-	(139,118)
Fair value at December 31, 2015	$ 569,569	$ -	$ 569,569

NOTE 22: Fair Value Measurements – Continued

As described in Note 6, Masonic Villages established a separate investment portfolio during the year ended December 31, 2014 as part of a charitable gift annuity agreement with a donor. The fair values of this separate investment portfolio's assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

At December 31, 2015	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	$ 10,372,784	$ -	$ 10,372,784	$ -
Asset-backed securities	472,475	-	472,475	-
Mutual funds - Fixed income	1,810,478	1,810,478	-	-
Equity exchange traded funds	12,094,316	12,094,316	-	-
Mutual funds - Equity	299,771	299,771	-	-
Money market funds	1,192,878	-	1,192,878	-
	$ 26,242,702	$ 14,204,565	$ 12,038,137	$ -

At December 31, 2014	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	$ 4,740,219	$ -	$ 4,740,219	$ -
Asset-backed securities	3,247,986	-	3,247,986	-
Mutual funds - Fixed income	2,736,682	2,736,682	-	-
U.S. Treasury and agency securities	2,619,335	-	2,619,335	-
Equity exchange traded funds	4,508,536	4,508,536	-	-
Mutual funds - Equity	316,614	316,614	-	-
Money market funds	10,968,164	-	10,968,164	-
	$ 29,137,536	$ 7,561,832	$ 21,575,704	$ -

The fair values of Masonic Villages' assets are measured using different techniques. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of perpetual trusts held by third parties are measured by applying known beneficiary percentages to the fair values of the trust's assets which consists of a combination of actively traded securities and other securities which are valued using significant other observable inputs. When unable to obtain a fair value for a perpetual trust, the fair value is estimated by calculating the present value of income received from the trust under a reasonable rate of return percentage. Fair value for contributions receivable from beneficial interests in a charitable lead annuity trusts is determined by calculating the present value of the annuity using published life expectancy tables and discount rates ranging from 2.17% to 4.25%. Fair values for the contributions receivable from beneficial interests in several charitable remainder unitrusts are determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and discount rates ranging from 6.50% to 7.00%. Fair values for unconditional promises to give are determined by calculating the present value of the future cash flows expected to be received, using the stated terms of the promises to give and discount rates ranging from 1.84% to 3.83%.

NOTE 22: Fair Value Measurements – Continued

The fair values of assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

	Fair Value	Quote Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2015				
Investments (excluding Consolidated Fund):				
Money Market Funds	$ 5,772,397	$ 5,772,397	$ -	$ -
Other investments	26,427,674	14,389,537	12,038,137	-
Equity Funds	523,066	523,066	-	-
Common Trust Funds	392,051	-	392,051	-
Perpetual Trusts Held by Third Parties	40,539,620	-	40,539,620	-
Contributions receivable:				
Charitable lead annuity trusts	399,921	-	399,921	-
Promises to give	12,039	-	-	12,039
	$ 74,066,768	$ 20,685,000	$ 53,369,729	$ 12,039
At December 31, 2014				
Investments (excluding Consolidated Fund):				
Money Market Funds	$ 9,874,282	$ 9,874,282	$ -	$ -
Other investments	29,239,703	7,663,999	21,575,704	-
Real Estate	396,034	-	396,034	-
Equity Funds	458,557	458,557	-	-
Common Trust Funds	436,500	-	436,500	-
Perpetual Trusts Held by Third Parties	45,402,740	-	45,402,740	-
Contributions receivable:				
Charitable lead annuity trusts	362,918	-	362,918	-
Promises to give	50,274	-	-	50,274
	$ 86,221,008	$ 17,996,838	$ 68,173,896	$ 50,274

The changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Fair value as of January 1	$ 50,274	$ 88,592
Cash payments received	(39,000)	(39,900)
Actuarial adjustment of fair value based on remaining terms of promises to give and risk-free interest rates	765	1,582
Fair value as of December 31	$ 12,039	$ 50,274

The fair values of Masonic Villages' liabilities are measured using different techniques. Fair values for annuities payable resulting from charitable gift annuity agreements and charitable remainder unitrust agreements with donors are determined by calculating the present value of the annuity using published life expectancy tables and the contractual discount rates. Fair values for interest rate swap agreements are determined based on the terms of each agreement and proprietary valuation techniques of Wells Fargo Bank, NA, which consider the present value of estimated expected future cash flows.

NOTE 22: Fair Value Measurements – Continued

The fair values of liabilities measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

	Fair Value	Quote Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2015				
Annuities payable	$ 19,677,928	$ -	$ 19,677,928	$ -
Contributions payable	11,799,147	-	11,799,147	-
Interest rate swap agreements	24,921,867	-	24,921,867	-
	$ 56,398,942	$ -	$ 56,398,942	$ -
At December 31, 2014				
Annuities payable	$ 20,858,413	$ -	$ 20,858,413	$ -
Contributions payable	13,786,134	-	13,786,134	-
Interest rate swap agreements	27,269,755	-	27,269,755	-
	$ 61,914,302	$ -	$ 61,914,302	$ -

NOTE 23: Minimum Liquid Reserve Requirement

Masonic Villages is licensed as a continuing care provider by the Commonwealth of Pennsylvania's Insurance Department (Insurance Department). In accordance with this licensure, Masonic Villages must establish and maintain certain minimum liquid reserves. Masonic Villages' minimum liquid reserve amount equals the greater of the next twelve months long-term debt service (Debt Service Method) or 10% of the operating expenses excluding depreciation (Operating Expense Method). Masonic Villages' governing body, the Board of Directors, has designated a portion of the Masonic Villages Reserve Fund to satisfy this minimum liquid reserve requirement. On October 31, 1996, the Insurance Department approved this approach to compliance with the minimum reserve requirement. The minimum required reserve amounts calculated under the two methods were as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Operating Expense Method		
Operating expenses	$ 182,036,733	$ 170,260,318
Less: Depreciation expense	22,342,679	19,406,456
Cash expenses for minimum liquid reserve	159,694,054	150,853,862
Percentage of cash expenses to be held in reserve	10%	10%
Minimum liquid reserve requirement under Operating Expense Method	$ 15,969,405	$ 15,085,386
Debt Service Method		
Interest expense	$ 5,834,737	$ 6,258,463
Principal payments	5,640,000	8,675,000
Minimum liquid reserve requirement under Debt Service Method	$ 11,474,737	$ 14,933,463

The fair value of the Masonic Villages Reserve Fund at December 31, 2015 and 2014 totaled $ 182,952,086 and $ 199,124,448, respectively. Masonic Villages met the minimum liquid reserve required by the Insurance Department for the years ended December 31, 2015 and 2014.

NOTE 24: Subsequent Events

Masonic Villages has evaluated events and transactions subsequent to December 31, 2015 through April 21, 2016, the date these financial statements were issued. Based on the definitions and requirements of generally accepted accounting principles, Masonic Villages has not identified any events that have occurred subsequent to December 31, 2015 and through April 21, 2016, that require recognition or disclosure in the financial statements.

NOTE 25: Commitments and Contingencies

Masonic Villages has signed contracts for various construction projects approximating $ 54,358,000. Approximately $ 46,378,000 has been paid or accrued on these contracts as of December 31, 2015.

Masonic Villages is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Masonic Villages' financial position.

During the year ended December 31, 2008, Masonic Villages negotiated an agreement with the Elizabethtown Area School District (School District), Elizabethtown Borough (Borough), West Donegal Township (Township), and Lancaster County (County) for annual payments in lieu of taxes for all properties located at the Elizabethtown campus. This agreement became effective in 2008 and will expire on June 30, 2029. The agreement includes a specific annual payment schedule for lieu of tax payments to the School District, the Borough, the Township, and the County for the 20-year term of the agreement. The agreement also contains provisions for an annual contribution of $ 15,000 from Masonic Villages to the School District's Education Foundation. Masonic Villages will also annually fund up to six $ 2,500 college scholarships for qualified students from the School District. Masonic Villages paid $ 1,260,010 and $ 1,250,306, respectively, in lieu of tax payments under this agreement for the years ended December 31, 2015 and 2014. For the year ending December 31, 2016, Masonic Villages' commitment under the agreement is approximately $ 1,272,000.

During the year ended December 31, 2004, Masonic Villages negotiated an agreement with Aleppo Township (Aleppo), the Quaker Valley School District (Quaker Valley), and the County of Allegheny (Allegheny) for annual payments in lieu of taxes for certain tax-exempt properties at the Sewickley campus. This agreement became effective in 2004 and will expire December 31, 2024. The agreement includes a specific annual payment schedule for lieu of tax payments to Aleppo, Quaker Valley, and Allegheny for the 21-year term of the agreement. The agreement also includes provisions for an annual contribution from Masonic Villages to the Sewickley Public Library. Masonic Villages is also required to fund annually a minimum amount for college scholarships for Quaker Valley students. Masonic Villages paid $ 804,088 and $ 792,272, respectively, under this agreement for the years ended December 31, 2015 and 2014. For the year ending December 31, 2016 Masonic Villages' commitment under the agreement is approximately $ 814,000.

Masonic Villages' Lafayette Hill campus has two agreements with Whitemarsh Township (Whitemarsh) for annual payments in lieu of taxes for the tax-exempt Masonic Villages property. The first agreement, for gross receipts tax, requires a minimum annual payment to Whitemarsh of $ 10,000, adjusted for an inflation factor based on the Consumer Price Index for the Philadelphia region. The second agreement, for real estate taxes, requires an annual payment to Whitemarsh based on the assessed value of the Lafayette Hill campus and Whitemarsh's current millage rate. Masonic Villages paid Whitemarsh $ 45,694 and $ 45,612 under these two agreements for the years ended December 31, 2015 and 2014, respectively.

NOTE 25: Commitments and Contingencies - Continued

During the year ended December 31, 2012, Masonic Villages negotiated an agreement with Dallas Township, Dallas Area School District, and Luzerne County for annual payments in lieu of taxes for certain tax-exempt properties at the Dallas campus. This agreement became effective retroactive to 2011 and will expire December 31, 2030. The agreement includes a specific payment schedule for lieu of tax payments to Dallas Township, Dallas Area School District, and Luzerne County for the 20-year term of the agreement. The agreement also includes provisions for an annual contribution from Masonic Villages to Dallas Township to support the local fire and ambulance organizations. Masonic Villages paid $ 34,087 under this agreement for the years ended December 31, 2015 and 2014. For the year ending December 31, 2016, Masonic Villages' commitment under the agreement is approximately $ 35,000.

Masonic Villages entered into an agreement to invest the debt service reserve fund for the 2006 Bonds in November 2006. This agreement was a Debt Service Reserve Guaranteed Investment Contract with Bank of America, NA. This agreement required Masonic Villages to invest $ 2,524,015, representing the 2006 Bonds Debt Service Reserve Fund, with Bank of America, NA. The money invested pursuant to this agreement earned interest at a rate of 5.23% through the maturity of the contract on November 1, 2036. The investments that collateralized the debt service reserve fund were held in custody of US Bank for the benefit of Masonic Villages, beginning on January 9, 2012. This agreement was terminated in February 2015 as part of the issuance of the 2015 Bonds described in Note 11.

On February 28, 1997, Masonic Villages entered an Agreement of Remediation (Agreement) with Waste Management Disposal Services of Pennsylvania, Inc. (Waste Management). The Agreement concerns remediation of an inactive landfill site adjacent to the Elizabethtown campus. A secondary well was contaminated with manganese believed to have been caused by the inactive landfill site. Under the Agreement, Waste Management will pay Masonic Villages a total of $ 300,000 for costs to be incurred by Masonic Villages during the remediation process. It is anticipated the remediation process may require thirty years to complete. In April 1997, Masonic Villages received a payment totaling $ 150,000 to be used for costs incurred during the first fifteen years of the remediation process. This payment has been recorded as deferred revenue and is amortized, using the straight-line method, as a reduction of the related operating expenses incurred by Masonic Villages. An additional payment of $ 75,000 was received by Masonic Villages in 1998, to be used for costs incurred during the second fifteen years of the remediation process. Waste Management also agreed to reimburse Masonic Villages for the cost of drilling a new well. Two new wells were installed in 2000 to replace the existing water supply and the costs associated with installation were reimbursed by Waste Management.

NOTE 26: Risk

Financial instruments which subject Masonic Villages to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments (i.e. certificates of deposit), fixed income securities, common stocks, and resident accounts receivable.

Masonic Villages typically maintains cash and cash equivalents which, at times, exceed $ 250,000, in banks. Cash and cash equivalents and certain short-term investments are insured by the Federal Deposit Insurance Corporation up to a limit of $ 250,000 per bank. Fixed income securities and common stocks are uninsured.

Masonic Villages grants credit to its residents and other third-party payors, primarily Medicare, Medical Assistance, and various commercial insurance companies. Masonic Villages maintains reserves for potential credit losses and such losses have historically been within management's expectations.

NOTE 26: Risk - Continued

Masonic Villages' investments are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

NOTE 27: Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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APPENDIX C

Definitions of Certain Terms and Summaries of the Indenture and the Loan Agreement

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APPENDIX C

CERTAIN DEFINITIONS
AND
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are certain definitions used in, and summaries of certain provisions of, the Indenture and Loan Agreement. The summaries should not be regarded as full statements of the documents themselves, or of the portions summarized. Reference is made to the documents in their entireties, copies of which are on file at the designated corporate trust office of the Trustee, for complete statements of the designated and defined terms thereof.

DEFINITIONS

"1989 Indenture" shall mean the Trust Indenture dated as of October 1, 1989, between the Authority and the Trustee.

"1989 Loan Agreement" shall mean the Loan Agreement dated as of October 1, 1989, between the Authority, as Lender and the Health Center, as Borrower.

"Acceptable Rating Agency" shall mean, with respect to the 2017 Bonds, S&P, or, upon the discontinuance of such services such other nationally recognized financial rating service or services, as the case may be, as shall be determined in a Certified Resolution of the Authority, satisfactory to the Trustee.

"Act" shall mean the Act of the General Assembly of the Commonwealth, known as the Municipality Authorities Act, Act 22 of 2001, as amended and supplemented, from time to time.

"Additional Bonds" shall mean Bonds of any series authorized under the Indenture, other than the Series of 1989 Bonds, and duly executed, authenticated, issued and delivered pursuant to provisions thereof, but shall not refer or apply to bonds issued under any other indenture or resolution of the Authority with respect to any project other than the Health Center Facilities.

"Administrative Expenses" shall mean: expenses of officers and members of the Board of the Authority; legal, printing, advertising, compliance review and auditing fees and expenses of the Authority allocable to its financing and refinancing of the Health Center Facilities or Capital Additions thereto; fees and expenses of the Trustee and any other authorized depository; and other items of general expenses incurred by the Authority; provided, however, that all of the foregoing shall be subject to proper allocation to various projects of the Authority, if applicable, as provided in the Indenture.

"Amended and Restated Second Supplemental Indenture" shall mean the Amended and Restated Second Supplemental Trust Indenture dated November 1, 2010 by and between the Authority and the Trustee.

"Amended and Restated Second Supplemental Loan Agreement" shall mean the Amended and Restated Second Supplemental Loan Agreement dated November 1, 2010 by and between the Authority and the Health Center.

"Amended and Restated Ninth Supplemental Indenture" shall mean the Amended and Restated Ninth Supplemental Trust Indenture dated November 1, 2010 by and between the Authority and the Trustee.

"Amended and Restated Eighth Supplemental Loan Agreement" shall mean the Amended and Restated Eighth Supplemental Loan Agreement dated November 1, 2010 by and between the Authority and the Health Center.

"Architect" shall mean a Person, who shall be Independent, so long as there is no event of default under the Loan Agreement which remains uncured, appointed by the Health Center, otherwise appointed by the Authority, having a favorable reputation for skill and experience in the planning or construction of nursing homes and continuing care facilities. If such Person shall be an individual, he shall be a registered architect or registered professional engineer duly registered under the laws of the Commonwealth, and if such Person shall be a partnership, corporation or association, it shall be a partner, officer, employee or member thereof who is a registered architect under laws of the Commonwealth. Notwithstanding the foregoing, if a Contract Manager is appointed by the Health Center in lieu of an Architect, the term "Architect" shall mean the Contract Manager irrespective of whether he is Independent.

"Architect's Certificate" shall mean a certificate executed by the Architect.

"Authority" shall mean the Lancaster County Hospital Authority, a municipal authority incorporated under the Act and existing under the laws of the Commonwealth of Pennsylvania.

"Authorized Denomination" shall mean, with respect to the 2017 Bonds, $5,000 or any integral multiple thereof.

"Balloon Long Term Indebtedness" shall mean Long Term Indebtedness, 25 % or more of the principal of which is scheduled to mature on the same date, which portion of the principal is not (i) required by the documents governing such Indebtedness to be amortized by redemption prior to such date; or (ii) the subject of an enforceable agreement with a third party to amortize such portion of principal by redemption prior to such date or to make deposits into a sinking or similar fund to provide for the amortization of such portion of principal by such date; provided, however, Balloon Long Term Indebtedness shall not be construed to include Interim Indebtedness incurred under the provisions of Section 8.03(f) of the Loan Agreement.

"Bank" shall mean (i) Wells Fargo Bank, National Association with respect to the 1996 Bonds and the 2008 Bonds; and (ii) PNC Bank, National Association with respect to the 2013 Bonds.

"Bond Payment Date" shall mean, with respect to the 2017 Bonds, any Interest Payment Date and any other date on which the principal of, premium (if any) or interest on the Bonds is to be paid to the Owners thereof (whether at maturity thereof, or by acceleration of maturity or after notice of redemption or prepayment or otherwise).

"Book-Entry Form" or ***"Book-Entry System"*** shall mean, with respect to the 2017 Bonds, a form or system, as applicable, under which (i) the Ownership of beneficial interests in the 2017 Bonds may be transferred only through a book entry and (ii) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as holder, with the physical bond certificates immobilized in the custody of the Depository.

"Business Day" or ***"business day"*** shall mean, with respect to the 2017 Bonds, any day other than a day on which either (a) banks located in any of the cities in which the corporate trust office of the Trustee responsible for the administration of the Indenture is located, or (b) the New York Stock Exchange is closed.

"Board" shall mean the governing body of the Authority.

"Bond" or ***"Bonds"*** shall mean any bond, or all bonds, as the case may be, authorized, executed, authenticated, issued and delivered under the Indenture.

"Bond Redemption and Improvement Fund" shall mean the "Bond Redemption and Improvement Fund" created and established under the Indenture.

"Borrower" shall mean the Health Center, the borrower under the Loan Agreement.

"Capital Additions" shall mean additions to Property, Plant and Equipment, including, without intending to limit the generality of the foregoing, land, rights of way, easements, leases, licenses, rights and similar interests in real property, and additions, extensions, alterations and improvements of or to the Health Center Facilities, including, without intending to limit the generality of the foregoing, buildings, structures, fixtures, furnishings, equipment, accessories and related facilities, real, personal and mixed, and Extraordinary Repairs, in each case made, constructed or acquired by the Authority or the Health Center after the date of the Loan Agreement other than as part of the Project, and which are used or useful in connection with the Health Center Facilities, including property in process or construction or erection, to the extent actually constructed or erected.

"Capitalization" shall mean the principal amount of all Long Term Indebtedness Outstanding and Short Term Indebtedness incurred pursuant to Section 8.03(e)(i) of the Loan Agreement plus the equity accounts of the Health Center (i.e., unrestricted fund balances determined in accordance with generally accepted accounting principles, but excluding the Committee Designated Funds consisting of the Masonic Villages Reserve Fund, Youth Activities Reserve Fund and The Pennsylvania Masonic Foundation for the Prevention of Drug and Alcohol Abuse Among Children Fund of the Health Center, to the extent that monies in such funds have been committed by action of the Board of Directors of Masonic Villages to pay part of the Costs of a particular Capital Addition or Project, the completion of which has not been abandoned by action of the Board of Directors of Masonic Villages).

"Certified Public Accountant" shall mean a Person, who shall be Independent, appointed by the Health Center who shall also be nationally recognized, or by the Board, as appropriate, actively engaged in the business of public accounting and duly certified as a certified public accountant under laws of the Commonwealth.

"Certified Public Accountant's Certificate" shall mean a certificate executed by the Certified Public Accountant.

"Certified Resolution" shall mean a copy of a resolution of the Health Center, certified by any officer of the Health Center, duly to have been adopted and to be in effect as of the date of such certification.

"Clearing Fund" shall mean the "Clearing Fund" created and established under the Indenture.

"Closing Date" shall mean, with respect to the 2017 Bonds, the date of the issuance and initial delivery of fully executed and authenticated 2017 Bonds to the Owners.

"Code" shall mean the federal Internal Revenue Code of 1986, as amended, and applicable rulings, regulations and decisions with respect thereto.

"Committee Designated Funds" shall mean the Masonic Homes Reserve Fund, Youth Activities Reserve Fund and The Pennsylvania Masonic Foundation for the Prevention of Drug and Alcohol Abuse Among Children Fund of the Health Center and such other funds as may be designated from time to time by the Board of Directors of Masonic Villages for special purposes.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Completion Indebtedness" shall mean any Indebtedness other than Short Term Indebtedness, incurred by the Health Center for the purpose of financing the completion of construction of, or equipping, facilities for which Long Term Indebtedness or Interim Indebtedness has theretofore been incurred in accordance with the provisions of the Loan Agreement, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long Term Indebtedness or Interim Indebtedness was originally incurred, and in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long Term Indebtedness or Interim Indebtedness was originally incurred.

"Construction Fund" shall mean the "Construction Fund" created and established under the Indenture.

"Consultant" shall mean a Person (other than an individual), who shall be Independent, appointed by the Health Center, satisfactory to the Trustee and the Authority, qualified to pass upon questions relating to the financial affairs of nursing homes and continuing care facilities and having a national reputation for skill and experience in the financial affairs of nursing homes and continuing care facilities.

"Consultant's Certificate" shall mean a certificate executed by the Consultant;

"Contract Manager" shall mean any Person, not unsatisfactory to the Authority and the Trustee, who shall be appointed by the Health Center to serve and is qualified to serve as general contractor or construction manager with respect to the Project or any Capital Additions.

"Counsel" shall mean: (a) with respect to the Authority, counsel, duly authorized to engage in the practice of law, who may be, but need not be, retained regularly by the Authority, duly appointed by the Board and satisfactory to the Trustee; and (b) with respect to the Health Center, counsel, duly authorized to engage in the practice of law, who may be, but need not be, retained regularly by the Health Center.

"County" shall mean the County of Lancaster, a political subdivision of the Commonwealth.

"Current Assets" shall mean cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of the Health Center ordinarily considered current assets under generally accepted accounting principles except that, regardless of generally accepted accounting principles, Current Assets shall include cash and cash equivalent deposits and marketable securities ("Board Designated Assets") that have been designated by the Health Center for specific uses, except for Board Designated Assets that have been committed by action of the Health Center to pay part of the costs of a particular capital project, the completion of which capital project has not been abandoned by action of the Health Center and with respect to which there is no current liability; current assets shall include the Committee Designated Fund but shall not include the Endowment Fund as set forth in the financial statements of the Health Center.

"Current Liabilities" shall mean those liabilities ordinarily considered current liabilities under generally accepted accounting principles, excluding liabilities incurred for capital projects to be paid from Board Designated Funds.

"Current Ratio" shall mean the ratio determined by dividing the aggregate of the Current Assets by the aggregate of the Current Liabilities of the Health Center.

"Debt Service Coverage Ratio" shall mean the ratio for the applicable twelve-month period of Net Income Available for Debt Service divided by Maximum Annual Debt Service Requirements; provided that (1) for the purposes of any calculation of the Debt Service Coverage Ratio, other than a pro-forma calculation pursuant to Section 8.03(b)(i) of the Loan Agreement, for any period ending between the date of incurrence of any Long Term Indebtedness to finance or refinance the construction of a Capital Addition for which interest is being capitalized from the proceeds thereof and the completion date of such construction of a Capital Addition, the amount of such capitalized interest for the period in question shall be added to Net Income Available for Debt Service and the Maximum Annual Debt Service Requirement for such Long Term Indebtedness shall be deemed to be the annual interest expense on such Long Term Indebtedness; and (2) except as otherwise expressly provided in the Loan Agreement, any reference in the Loan Agreement to a particular Debt Service Coverage Ratio may be deemed to be satisfied under the following conditions:

(a) (i) there is filed with the Trustee and the Authority, a written report of a Consultant that is not reasonably objected to by the Trustee and the Authority, which contains an opinion of such Consultant that Governmental Regulations have prevented the Health Center from generating Net Income Available for Debt Service in an amount sufficient to cause the Debt Service Coverage Ratio for such Fiscal Year to equal or exceed the ratio otherwise required but that such Debt Service Coverage Ratio of the Health Center is at least 1.0; and

(ii) if requested by the Trustee or the Authority, an opinion of counsel duly qualified to render such opinions selected by the Health Center that is not reasonably objected to by the Trustee or the Authority, in form and substance reasonably satisfactory to the Trustee and the Authority, as to any conclusions of law supporting the opinion of such Consultant; and

(b) the Health Center has generated the maximum amount of Net Income Available for Debt Service which in the opinion of such Consultant could reasonably have been generated given such laws and regulations during the period affected thereby.

"Debt Service Fund" shall mean the "Debt Service Fund" created and established under the Indenture.

"Debt Service Requirements", with reference to a specified period, and with respect to the Bonds or other Long Term Indebtedness and Short Term Indebtedness incurred pursuant to the Loan Agreement required to be taken into account, shall mean the following payment obligations, calculated in accordance with applicable provisions thereof:

(a) interest payable on Bonds or other Long Term Indebtedness that shall be Outstanding during the period, with adjustment for funded interest;

(b) amounts required to pay the principal of Bonds or other Long Term Indebtedness that shall be Outstanding during the period, including principal to be redeemed prior to maturity through the operation of any mandatory sinking fund account; and

(c) in the case of Long Term Indebtedness that shall be Outstanding in the form of lease rental obligations, the lease rentals payable during the period.

"Debt Service Reserve Fund" shall mean a "Debt Service Reserve Fund" created and established under the Indenture for a particular series of Bonds.

"Depository" shall mean any securities depository that is 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, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in municipal bonds, and to effect transfers of municipal bonds, in Book-Entry Form, and includes and means initially DTC.

"Eighth Supplemental Indenture" shall mean the Eighth Supplemental Trust Indenture dated November 1, 2006, by and between the Authority and the Trustee.

"Eighth Supplemental Loan Agreement" shall mean the Eighth Supplemental Loan Agreement dated April 1, 2008, between the Authority and the Health Center.

"Eleventh Supplemental Indenture" shall mean the Eleventh Supplemental Trust Indenture dated December 19, 2013, by and between the Authority and the Trustee.

"Eleventh Supplemental Loan Agreement" shall mean the Eleventh Supplemental Loan Agreement dated February 1, 2015, between the Authority and the Health Center.

"Extraordinary Repairs" shall mean alterations, repairs, renewals, improvements or replacements with respect to the Health Center Facilities which are necessary or desirable for proper operation and maintenance thereof and which are of a type which ordinarily would not be made by the Health Center out of current revenues as current Operating Expenses.

"Fifth Supplemental Indenture" shall mean the Fifth Supplemental Trust Indenture dated October 18, 2001, between the Authority and the Trustee.

"Fifth Supplemental Loan Agreement" shall mean the Fifth Supplemental Loan Agreement dated May 1, 2002, between the Authority and the Health Center.

"First Supplemental Indenture" shall mean the First Supplemental Trust Indenture dated as of February 1, 1994, between the Authority and the Trustee.

"First Supplemental Loan Agreement" shall mean the First Supplemental and Restated Loan Agreement dated as of February 1, 1994, between the Authority and the Health Center.

"Fiscal Year" shall mean the fiscal year of the Health Center, currently the period of 12 months beginning January 1 of each year.

"Fourth Supplemental Indenture" shall mean the Fourth Supplemental Trust Indenture dated as of August 30, 2001 between the Authority and the Trustee.

"Fourth Supplemental Loan Agreement" shall mean the Fourth Supplemental Loan Agreement dated August 30, 2001 between the Authority and the Health Center.

"Government Obligations" shall mean direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury) of the United States of America.

"Government Regulations" shall mean federal, state or other applicable governmental laws or regulations affecting the Health Center or its health care facilities, which place restrictions and limitations on (i) the fees and charges to be fixed, charged and collected or revenues to be earned by the Health Center or (ii) the timing of receipt of such revenues.

"Grand Lodge" shall mean The Right Worshipful Grand Lodge of the Most Ancient and Honorable Fraternity of Free and Accepted Masons of Pennsylvania, and Masonic Jurisdiction Hereunto Belonging.

"Gross Revenues" shall mean, when used with respect to any period, the entire gross receipts, revenues, accounts, money, income and rights to receive revenues of the Health Center including, without intending to limit the generality of the foregoing, those arising from the rates, fees and charges fixed, charged and collected, for services provided by the Health Center at the Health Center Facilities, or arising in any other manner with respect to, incident to, or on account of the Health Center's operations, including entrance fees received and any money designated as

Gross Revenues in any other section of the Loan Agreement or of the Indenture and paid over to the Health Center or transferred to the account of the Health Center pursuant to the Indenture, as is provided for in the last paragraph of Section 5.01 of the Loan Agreement, before deduction of the Operating Expenses of the Health Center and before deduction of any other cost, expense, charge or liability of the Health Center whatsoever, for such period, **including** interest income and revenues derived from the Masonic Homes Reserve Fund, and **excluding** (a) grants, gifts, bequests, contributions, income and other donations to the extent specifically restricted by the donor, settlor or grantor; (b) revenues or rights to receive the revenues derived from properties which secure Non-Recourse Indebtedness; (c) entrance fees, to the extent required to be refunded to or on behalf of a resident upon termination of such Resident's Agreement or demise of a resident as may be provided in a Resident's Agreement; and (d) the unrealized gain or loss on investments.

"Health Center" shall mean the Masonic Villages of the Grand Lodge of Pennsylvania, a Pennsylvania non-profit corporation which has been recognized by the Internal Revenue Service as being an organization entitled to exemption from Federal Income Tax under Section 501(c)(3) of the Code, consisting of (i) the operations of the retirement living community, residential and personal care facilities, a children's home for disadvantaged children, the health care center, the 1000-acre farm, and all other facilities operated and managed by the Health Center, located on a 1,400 acre campus, in West Donegal Township on One Masonic Drive, Elizabethtown, Pennsylvania; and (ii) the retirement, long-term care, personal care and other facilities managed by the Health Center, located in Sewickley, Pennsylvania, Lafayette Hill, Pennsylvania, Warminster, Pennsylvania and Dallas, Pennsylvania; Health Center specifically shall not include any other assets, operations or property of the Grand Lodge.

"Health Center Facilities" shall mean the existing premises and health center buildings, together with all appurtenant facilities and properties which the Health Center hereafter shall acquire in connection therewith, including all Property, real, personal and mixed, rights, powers, licenses, easements, leases, rights of way, privileges, franchises and any and all other property or interests in property of whatsoever nature used or useful in connection with such facilities, and together with all additions, extensions, alterations and improvements thereto which may be made or acquired, from time to time. As of any particular time, "Health Center Facilities" shall mean all property, real, personal and mixed, rights, powers, licenses, easements, leases, rights of way, privileges, franchises and any and all other property or interests in property of whatsoever nature used or useful in connection with such facilities and Capital Additions (including property in the nature of Capital Additions acquired or constructed from funds wholly or partially contributed or advanced by any Person) acquired, made or constructed by or for the Health Center, and "Health Center Facilities", without intending to limit the generality of the foregoing, as of any particular time, shall include all buildings, structures, fixtures, furnishings, equipment and other related facilities, real, personal and mixed, all personal property and all franchises, land, rights of way, privileges, easements, leases, licenses, rights and any other interests in real property used or useful by the Health Center in connection with or incident to its providing of health center services or related services.

"Indebtedness" shall mean all obligations for borrowed money, or installment sales, or capitalized lease obligations, incurred or assumed by the Health Center, including guaranties, Long Term Indebtedness, Interim Indebtedness, Short Term Indebtedness, Completion

Indebtedness, Subordinated Indebtedness, guaranty, and any other obligation for payments of principal and interest with respect to money borrowed.

"Indenture" shall mean the Original Indenture, as previously amended and supplemented and as amended and supplemented hereby, and as further amended and supplemented from time to time in accordance with provisions thereof.

"Independent" shall mean, with respect to the Architect, the Certified Public Accountant and the Consultant, a Person who is not a member of the Board or a director or officer of the Health Center, a corporate officer or employee of the Authority or a corporate officer or employee of the Health Center, or which is not a partnership, corporation or association having a partner, trustee, corporate officer, member or substantial stockholder who is a member of the Board or a director or officer of the Health Center, a corporate officer or employee of the Health Center; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the Health Center shall not make such Person an employee within the meaning of this definition.

"Insurance Consultant" shall mean a Person appointed by the Health Center and not unsatisfactory to the Trustee and the Authority, qualified to survey risks and to recommend insurance coverage for health center facilities and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the Health Center or the Authority transacts business.

"Interim Indebtedness" shall mean all obligations incurred by the Health Center pursuant to Section 8.03(f) of the Loan Agreement.

"Interest Payment Date" shall mean, with respect to the 2017 Bonds, May 1 and November 1 of each year, commencing May 1, 2017.

"Interest Rate Hedge Agreement" shall mean, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payment based on levels of, or charges or differences in, interest rates, currency exchange rates, or stock or other indicies; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Health Center determines is to be used, or is intended to be used, to manage or reduce the cost of indebtedness, or to convert any element of indebtedness from one form to another.

"Interest Rate Hedge Agreement Counterparty" shall mean the party, other than the Health Center, to an Interest Rate Hedge Agreement.

"Investment Securities," with respect to the 2017 Bonds shall mean:

(a) The following obligations to be used as permitted investments for all purposes, including defeasance investments in refunding escrow accounts.

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(b) The following obligations to be used as permitted investments for all purposes other than defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

- Obligations of the Resolution Funding Corporation (REFCORP)

- Senior debt obligations of the Federal Home Loan Bank System

- Senior debt obligations of other government sponsored agencies;

(3) U.S. dollar denominated deposit demand or trust accounts, federal funds and bankers' acceptances with domestic banks, including the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and which matures not more than 270 days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of each Rating Agency; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a)(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) General obligations of states with a rating of at least "A" or higher by S&P;

(8) Investment agreements supported by appropriate opinions of counsel with notice to S&P;

(9) Other forms of investments (including repurchase agreements) with notice to S&P;

(10) Any investment approved in writing by the 2013 Bonds Credit Provider or the Bank.

(c) The value of the above investments shall be determined as follows:

"Value," which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(1) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times; the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to certificates of deposit, bankers acceptances and investment agreements; the face amount thereof, plus accrued interest; and

(4) As to any investment not specified above; the value thereof established by prior agreement between the Authority and the Trustee.

Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities and the Trustee shall have no responsibility to monitor the ratings thereof.

"Lender" shall mean the Authority, as the lender under the Loan Agreement.

"Letter of Credit" shall mean, with respect to the 2008 Bonds of a series, (a) any 2008 Bonds Letter of Credit provided pursuant to the Loan Agreement for a series of 2008 Bonds; (b) any 1996 Bonds Letter of Credit provided pursuant to the Loan Agreement for the 1996 Bonds; (c) any 2013 Bonds Letter of Credit provided pursuant to the Loan Agreement for the 2013 Bonds and (d) any Alternate Letter of Credit.

"Letters of Credit" shall mean, collectively, each of the 2008 Bonds Letters of Credit, the 1996 Bonds Letters of Credit or the 2013 Bonds Letters of Credit together with (b) any Alternate Letters of Credit.

"Loan Agreement" shall means the Original Loan Agreement as amended and supplemented by the Second Supplemental Loan Agreement, the Third Supplemental Loan Agreement, the Fourth Supplemental Loan Agreement, the Fifth Supplemental Loan Agreement, the Sixth Supplemental Loan Agreement, the Seventh Supplemental Loan Agreement, the Eighth Supplemental Loan Agreement, the Ninth Supplemental Loan Agreement, the Tenth Supplemental Loan Agreement, Eleventh Supplemental Loan Agreement and the Twelfth Supplemental Loan Agreement, and as further amended and supplemented from time to time in accordance with provisions thereof.

"Long Term Indebtedness" shall mean the amount of all obligations for the payment of money incurred by the Health Center, including its obligations with respect to the Bonds, whether due and payable in all events, or upon the performance of work, possession of property as lessee, or rendering of services by others, including, but not limited to, Balloon Long Term Indebtedness, Completion Indebtedness, Interim Indebtedness, Optional Tender Indebtedness and Variable Rate Indebtedness, except:

(a) Short Term Indebtedness;

(b) Subordinated Indebtedness and Non-Recourse Indebtedness;

(c) Current obligations payable out of current revenues, including current payments for the funding of pension plans;

(d) Obligations under contracts for supplies, services and pensions allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid; and

(e) Rentals payable in future years under leases, other than leases properly capitalized.

"Master Indenture" shall mean a master trust indenture or other similar agreement pursuant to which the Health Center and each other Obligated Issuer shall be jointly and severally liable for the payments due under all Master Indenture Obligations.

"Master Indenture Obligation" shall mean any note or guaranty which (a) is issued under the Master Indenture by or on behalf of an Obligated Issuer to evidence or secure its payment obligations in respect of its indebtedness or in respect of any guarantee of the indebtedness of others, and (b) is equally and ratably secured by the Master Indenture and is enforceable on a joint and several basis against all Obligated Issuers under the terms of the Master Indenture.

"Master Trustee" shall mean a national banking association, bank with trust powers, bank and trust company or trust company which is appointed under the Master Indenture to serve as trustee for the holders of all Master Indenture Obligations.

"Maximum Annual Debt Service Requirements" shall mean, as of the date in question, the highest Debt Service Requirements required to be paid in the then current or any succeeding Fiscal Year.

"Net Income Available for Debt Service" shall means, for any period of determination thereof, the excess of revenues over expenses of the Health Center for such period, plus entrance fees received during such period (net of refunds), plus interest expense, depreciation expense and amortization expense, plus restricted funds released for operations, and minus amortization of entrance fees recognized as revenue during such period, but excluding (i) any profits or losses which would be regarded as extraordinary items under Generally Accepted Accounting Principles, (ii) gain or loss on the extinguishment of indebtedness, (iii) non-operating revenue resulting from the investment of moneys on deposit in all funds created by the Indenture during the period of construction of the Project, (iv) proceeds of Bonds and any other borrowings permitted under the Loan Agreement, (v) casualty gains and losses and proceeds of insurance, other than policies for business interruption insurance, (vi) unrealized gains or losses on the valuation of investments, (vii) impairment losses and other losses on the write-down of assets, and (viii) any other gain or loss not involving the receipt or expenditure of cash, all, except as adjusted to include items of non-operating revenues and expenses properly included in a statement of revenues and expenses, except as set forth above, and all as set forth above as determined in accordance with Generally Accepted Accounting Principles, except as expressly provided in the Loan Agreement.

"Net Proceeds" when used with respect to any insurance or condemnation award, shall mean the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any expenses of the Trustee) incurred in the collection of such gross proceeds.

"Ninth Supplemental Indenture" shall mean the Ninth Supplemental Trust Indenture dated April 1, 2008, by and between the Authority and the Trustee.

"Ninth Supplemental Loan Agreement" shall mean the Ninth Supplemental Loan Agreement dated as of April 1, 2008, by and between the Authority and the Health Center.

"Non-Operating Assets" shall mean assets of the Health Center other than Operating Assets, including, without limitation, cash and securities.

"Non-Recourse Indebtedness" shall mean any Indebtedness secured by assets or revenues not subject to the pledge of Gross Revenues under the Loan Agreement and Indenture and without recourse to the general credit of the Health Center.

"Obligated Group" shall mean all Obligated Issuers.

"Obligated Issuer" shall mean the Health Center and each other entity which enters into the Master Indenture and agrees to be jointly and severally liable for all Master Indenture Obligations issued thereunder.

"Officers Certificate" shall mean: (a) in the case of the Authority, a certificate, duly executed by its Chairman or Vice Chairman and by its Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or other person authorized to execute such certificate by a certified resolution of the Authority, under its official seal; and (b) in the case of the Health Center, a certificate, duly executed by its Chairman or Chief Executive Officer; in the case of either such certificate, however, one person shall not be permitted to execute such certificate in more than one capacity.

"Operating Assets" shall mean any or all land, leasehold interests, buildings, machinery, equipment, hardware and inventory of the Health Center, whether separately or together with other such assets.

"Operating Expenses" shall mean all sums which, under generally accepted accounting principles, constitute expenses incurred in owning, leasing, operating and maintaining the properties of the Health Center; provided, however, that Operating Expenses shall not include (i) depreciation and amortization and interest on the Bonds and other Long Term Indebtedness, or (ii) any unrealized loss on investments.

"Opinion of Counsel" shall mean an opinion, in writing, signed by Counsel.

"Optional Tender Indebtedness" shall mean any portion of Indebtedness that, at the option of the holders of such Indebtedness, may be tendered to the Health Center or the Trustee or other fiduciary for such holders for payment other than upon stated maturity or upon redemption thereof by the Health Center.

"Original Indenture" shall mean the Trust Indenture dated October 1, 1989, by and between the Authority and the Trustee, as amended and supplemented.

"Original Loan Agreement" shall mean the Loan Agreement dated as of October 1, 1989, by and between the Authority and the Health Center, as amended, supplemented and restated by the First Supplemental and Restated Loan Agreement dated as of February 1, 1994, by and between the Authority and the Health Center.

"Original Second Supplemental Indenture" shall mean the Second Supplemental Trust Indenture dated December 13, 1996, by and between the Authority and the Trustee.

"Original Second Supplemental Loan Agreement" shall mean the Second Supplemental Loan Agreement dated as of December 13, 1996 between the Authority and the Health Center.

"Outstanding" used with reference to Indebtedness, shall mean, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Indebtedness theretofore canceled or delivered to the Health Center for cancellation, (ii) Indebtedness or principal portion thereof for the payment of which the Health Center shall have deposited with the holder thereof (or with a bank or trust company acceptable to the holder thereof pursuant to an agreement between the Health Center and such bank or trust company in form acceptable to the holder thereof) in trust: (a) non-callable Government Obligations or callable Government Obligations if the Health Center shall provide an opinion of a Certified Public Accountant that such Government Obligations shall be sufficient to pay the principal of, interest on, and redemption premiums, if any, on such Indebtedness to be discharged during such callable period; (b) obligations the principal of and interest on which are guaranteed by the United States of America; or (c) pre-refunded obligations the escrow for which is funded by a deposit of obligations described in (a) or (b) hereof, in such principal amount and maturing on such dates as will, in the report of a Certified Public Accountant, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be sufficient to pay at maturity or upon redemption said Indebtedness or principal portion thereof as and when the same shall become due in accordance with the provisions of such Indebtedness or any agreement pursuant to which such Indebtedness was issued, and interest due or to become due to such date of maturity or redemption date, as the case may be; and (iii) crossover refunding Indebtedness to the extent such Indebtedness is fully secured by investments described in clauses (ii)(a), (b) or (c) above.

"Permitted Encumbrances" shall mean as of any particular time: (a) the "transfers" permitted by Section 9.07 and Section 9.08 of the Loan Agreement; (b) such minor defects, irregularities, encumbrances, restrictions, reservations, easements, rights of way, covenants running with the land and clouds on title as normally exist with respect to properties similarly used for health center purposes and which do not individually or in the aggregate materially impair the properties affected thereby for the purposes for which they are held; (c) the Loan Agreement, the Indenture or the liens and encumbrances arising thereunder; (d) liens and security interests permitted to be granted pursuant to Section 8.06 of the Loan Agreement; and (e) liens and encumbrances listed on the title search delivered prior to closing for the 1994 Bonds.

"Permitted Indebtedness" shall mean indebtedness of the Health Center permitted to be incurred pursuant to Section 8.03 of the Loan Agreement.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a governmental body, a political subdivision, a municipality, a municipal authority, or any other group, entity or organization of individuals.

"Property" shall mean any and all right, title and interest in and to any and all property of the Health Center whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" shall mean all Property of the Health Center which is property, plant and equipment under generally accepted accounting principles.

"Rating Agency" shall mean, with respect to the 2017 Bonds, S&P, or whichever nationally recognized rating agency shall at the time in question be maintaining a rating on the 2017 Bonds, and their respective successors.

"Rebate Fund" shall mean the Fund established pursuant to the Indenture.

"Record Date" shall mean, with respect to the 2017 Bonds, the fifteenth day of the calendar month preceding each Interest Payment Date.

"Regulatory Body" or "***Regulatory Bodies"*** shall mean and include: (a) the United States of America and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America; (b) the Commonwealth, any political subdivision thereof and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the Commonwealth; (c) the County and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the County; and (d) any other public or private body, whether federal, state or local or otherwise, having regulatory jurisdiction and authority over the Health Center or the Health Center Facilities or Health Center rates, including accrediting organizations, but not including the Authority.

"Residents Agreement" shall mean the form of an agreement between the Health Center, as Owner, and any Person approved for admission to the Health Center Facilities as the same shall exist from time to time.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Health Center.

"Series A of 2008 Bonds" shall mean the Authority's Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series A of 2008.

"Series A of 2008 Bonds Letter of Credit" shall mean, with respect to the Series A of 2008 Bonds, (a) any 2008 Bonds Letter of Credit provided pursuant to the Eighth Supplemental Loan Agreement for the Series A of 2008 Bonds and (b) any Alternate Letter of Credit.

"Series B of 2008 Bonds" shall mean the Authority's Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series B of 2008.

"Series B of 2008 Bonds Letter of Credit" shall mean, with respect to the Series B of 2008 Bonds, (a) any 2008 Bonds Letter of Credit provided pursuant to the Eighth Supplemental Loan Agreement for the Series B of 2008 Bonds and (b) any Alternate Letter of Credit.

"Series D of 2008 Bonds" shall mean the Authority's Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series D of 2008.

"Series D of 2008 Bonds Letter of Credit or ***"2008 Bonds Letter of Credit"*** shall mean, with respect to the Series D of 2008 Bonds, (a) any Series D of 2008 Bonds Letter of Credit provided pursuant to the Ninth Supplemental Loan Agreement and (b) any Alternate Letter of Credit.

"Series D of 2008 Bonds Letter of Credit Agreement" or ***"2008 Bonds Letter of Credit Agreement"*** shall mean any agreement relating to the repayment of amounts paid by the Series D of 2008 Bonds Letter of Credit Provider, including the Series D of 2008 Bonds Letter of Credit itself if the repayment terms are contained therein, or other similar agreement between the Health Center and the Series D of 2008 Bonds Letter of Credit Provider, and as further amended and supplemented from time to time in accordance with provisions thereof.

"Series 1989 Bonds" or ***"1989 Bonds"*** shall mean the Health Center Revenue Bonds, Series of 1989 (Masonic Homes Project).

"Series of 1994 Bonds" or ***"1994 Bonds"*** shall mean the Authority's $45,220,000 original principal amount of Health Center Revenue Refunding Bonds, Series of 1994 (Masonic Homes Project).

"Series of 1996 Bonds" or ***"1996 Bonds"*** shall mean the Amended and Restated Variable Rate Demand/Fixed Rate Health Center Revenue Bonds (Masonic Homes Project) Series 1996.

"Series of 1999 Bonds" or ***"1999 Bonds"*** shall mean Variable Rate Demand Health Center Revenue Bonds (Masonic Homes Project) Series 1999.

"Series of 2001 Bonds" or ***"2001 Bonds"*** shall mean the Authority's Variable Rate Demand Health Center Revenue Bonds (Masonic Homes Project) Series.

"Series of 2002 Bonds" or ***"2002 Bonds"*** shall mean the Authority's Variable Rate Demand Health Center Revenue Bonds (Masonic Homes Project) Series 2002.

"Series of 2004 Bonds" or ***"2004 Bonds"*** shall mean the Authority's Variable Rate Demand Health Center Revenue Bonds (Masonic Homes Project) Series 2004.

"Series of 2006 Bonds" or ***"2006 Bonds"*** shall mean the Authority's Health Center Revenue Bonds (Masonic Homes Project) Series 2006.

"Series of 2013 Bonds" or ***"2013 Bonds"*** shall mean the Authority's Health Center Revenue Bonds (Masonic Villages Project) Series of 2013.

"Series of 2015 Bonds" or ***"2015 Bonds"*** shall mean the Authority's Health Center Revenue Bonds (Masonic Villages Project) Series of 2015.

"Series of 2017 Bonds" or ***"2017 Bonds"*** shall mean the Authority's Health Center Revenue Bonds (Masonic Villages Project) Series of 2017.

"Settlement Fund" shall mean the Settlement Fund created and established under the Indenture for a series of Bonds.

"Seventh Supplemental Indenture" shall mean the Seventh Supplemental Trust Indenture dated November 1, 2004, between the Authority and the Trustee.

"Seventh Supplemental Loan Agreement" shall mean the Seventh Supplemental Loan Agreement dated November 1, 2006, between the Authority and the Health Center.

"Short Term Indebtedness" shall mean (i) Indebtedness for payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less; (ii) Optional Tender Indebtedness subject to tender at the option of the holder more frequently than annually, unless such Indebtedness is the subject of a Liquidity Agreement; and (iii) any sale of accounts receivable with recourse, which shall be considered as Short Term Indebtedness until such accounts have been collected.

"Sixth Supplemental Indenture" shall mean the Sixth Supplemental Trust Indenture dated May 1, 2002, between the Authority and the Trustee.

"Sixth Supplemental Loan Agreement" shall mean the Sixth Supplemental Loan Agreement dated as of November 1, 2004, between the Authority and the Health Center.

"Subordinated Indebtedness" shall mean indebtedness that, (i) no payment may be made under such indebtedness unless all Payments currently due under all other Indebtedness which is not Subordinated Indebtedness have first been made; (ii) no acceleration shall be declared upon a default under the terms of such Subordinated Indebtedness unless all Bonds and other Permitted Indebtedness secured as permitted by Section 8.05(a)(i) of the Loan Agreement have first been declared immediately due and payable; and (iii) any security for such Subordinated Indebtedness shall be subordinate to the security of the Bonds and other Permitted Indebtedness secured as permitted by Section 8.05(a)(i) of the Loan Agreement.

"Tender Date" shall mean (a) an Optional Tender Date or (b) a Mandatory Tender Date.

"Tenth Supplemental Indenture" shall mean the Tenth Supplemental Trust Indenture dated April 1, 2008, by and between the Authority and the Trustee.

"Tenth Supplemental Loan Agreement" shall mean the Tenth Supplemental Loan Agreement dated as December 19, 2013 between the Authority and the Health Center.

"Third Supplemental Indenture" shall mean the Third Supplemental Trust Indenture dated as of June 25, 1999 between the Authority and the Trustee.

"Third Supplemental Loan Agreement" shall mean the Third Supplemental Loan Agreement dated as of June 25, 1999 between the Authority and the Health Center.

"Thirteenth Supplemental Indenture" shall mean the Thirteenth Supplemental Trust Indenture dated as of February 1, 2017 between the Authority and the Trustee.

"Total Revenues" shall mean total operating revenues of the Health Center determined in accordance with generally accepted accounting principles plus all other nonoperating revenues of the Health Center, other than unrealized gains or losses on investments.

"Twelfth Supplemental Indenture" shall mean the Twelfth Supplemental Trust Indenture dated as of February 1, 2015 between the Authority and the Trustee.

"1996 Bonds Letter of Credit" shall mean, with respect to the 1996 Bonds, (a) any 1996 Bonds Letter of Credit provided pursuant to the Loan Agreement for the 1996 Bonds and (b) any Alternate Letter of Credit.

"2008 Bonds" shall mean, collectively, the Series A of 2008 Bonds, the Series B of 2008 Bonds and the Series D of 2008 Bonds.

"2008 Bonds Letter of Credit" shall mean, with respect to the 2008 Bonds of a series, (a) any 2008 Bonds Letter of Credit provided pursuant to the Loan Agreement for a series of 2008 Bonds and (b) any Alternate Letter of Credit.

"2008 Bonds Letters of Credit" shall mean, collectively, each of the 2008 Bonds Letters of Credit provided pursuant to the Loan Agreement for the 2008 Bonds together with (b) any Alternate Letters of Credit.

"2008 Bonds Letter of Credit Agreements" shall mean those agreements relating to the repayment of amounts paid by the 2008 Bonds Letter of Credit Provider, including any 2008 Bonds Letter of Credit itself if the repayment terms are contained therein, or other similar agreement between the Health Center and the 2008 Bonds Letter of Credit Provider, and as further amended and supplemented from time to time in accordance with provisions thereof, and on the Closing Date shall include the Reimbursement, Credit and Security Agreements dated as of April 1, 2008, as amended and supplemented, between the Health Center and JPMorgan Chase Bank, N.A. with respect to the Series D of 2008 Bonds.

"2008 Bonds Letter of Credit Provider" shall mean, with respect to the 2008 Bonds of a series, the issuer of any 2008 Bonds Letter of Credit pursuant to the Loan Agreement and on the Closing Date shall mean JPMorgan Chase Bank, N.A. with respect to the Series D of 2008 Bonds.

"2013 Bonds Letter of Credit" shall mean, with respect to the 2013 Bonds, (a) any 2013 Bonds Letter of Credit provided pursuant to the Loan Agreement the 2013 Bonds and (b) any Alternate Letter of Credit.

"2017 Project" shall mean (i) the acquisition, design, construction, furnishing, and related improvements of 72 new independent living cottages at the Health Center's Elizabethtown, Pennsylvania campus, including the costs associated with relocating the landscape operations building and resident gardens from their current locations on the site of the Project and the payment and reimbursement of costs and expenses relating thereto; and (ii) the payment of certain of the costs and expenses in connection with the issuance of the 2017 Bonds

"Variable Rate Indebtedness" shall mean a portion of Indebtedness the interest rate on which is not established at the time of incurrence at a single numerical rate with respect to each maturity of such indebtedness.

LOAN AGREEMENT

LOAN OF PROCEEDS TO THE HEALTH CENTER; LOAN PROVISIONS Pursuant to the terms of the Loan Agreement, the Authority has agreed, upon the terms and conditions contained in the Loan Agreement, to lend to the Health Center the proceeds received by the Authority from the sale of the 2017 Bonds, to deposit such proceeds in a Settlement Fund created under the Indenture and to permit the disbursement thereof as provided in the Indenture.

PAYMENTS The Health Center is obligated to make timely payments to the Authority, for deposit in the Clearing Fund, sufficient to meet Debt Service Requirements and other amounts due under the Indenture or the Loan Agreement.

The Health Center is required to pay all taxes and assessments with respect to the Health Center Facilities. The obligation of the Health Center to pay is unconditional until retirement of all Bonds issued under the Indenture.

ACQUISITION AND CONSTRUCTION OF THE PROJECT; HEALTH CENTER FACILITIES; CONSTRUCTION CONTRACTS Under the Loan Agreement, the Health Center has covenanted that it will award, or that it has awarded, a contract or contracts for construction and certain other services relating to the 2017 Project and that it will enter into, or has entered into, appropriate contracts for purchase or lease, in the discretion of the Health Center, as the case may be, necessary to acquire the furnishings, fixtures and equipment constituting part of the 2017 Project.

PLANS AND SPECIFICATIONS; MODIFICATIONS The Health Center is required to use its best efforts to insure the construction and equipping of the 2017 Project conforms in all material respects to the plans and specifications prepared by the Health Center or by the Architect and approved by the Health Center and, upon request, such plans and specifications shall be filed with the Trustee; provided, however, said plans and specifications may from time to time be amended, modified or changed and deletions may be made therefrom, provided that no changes in the 2017 Project or any Capital Additions shall be made unless the conditions and requirements of Article IV of the Original Indenture shall have been complied with in full, and to the extent necessary, the Health Center shall have made such additional deposits in the Construction Fund so as to enable it to meet such conditions and requirements.

CONSTRUCTION CONTRACT PAYMENTS; ENFORCEMENT; COMPLETION DATE

(a) All payments to suppliers and contractors payable from the Construction Fund and due under the construction contracts are required to be made by the Trustee in accordance with the terms of the Indenture.

(b) The Health Center is required to enforce the Acquisition and Construction Contracts and will use its best efforts to cause the 2017 Project to be substantially completed in accordance with the plans and specifications therefor, all of which shall become a part of the Loan Agreement, subject, however, to the right of the parties hereto to make amendments, modifications and changes in the plans and specifications as provided in Section 3.02 hereof.

(c) The Health Center will use its best efforts to cause the construction and equipping of the 2017 Project to be substantially completed by [August 1, 2018], or as soon after such date as may be practicable, delays incident to riots, sabotage, fire, floods, differences with workman, insurrections, acts of God, war, governmental acts, difficulties with contractors or suppliers, inability to obtain material or supplies at reasonable cost or to transport the same to the Health Care Facilities, shortages of energy or other cause beyond the reasonable control of the parties hereto excepted; but if for any reason the 2017 Project is not completed by said date there shall be no resulting liability on the part of the Authority or the Health Center and no diminution in or postponement of the payments required to be paid by the Health Center hereunder.

(d) In the event of any default on the part of the Contract Manager, the Architect or any other contractor or any subcontractor or supplier under any contract made by the Health Center in connection with the 2017 Project or any Capital Additions, or in the event of a breach of warranty with respect to any materials, workmanship or performance guaranty, the Health Center is required to notify the Authority and the Trustee and to proceed, either separately or in conjunction with others, to pursue such remedies against the Architect, the Contract Manager or contractor or subcontractor or supplier so in default and against each surety for the performance of such contract as it may deem advisable. The Health Center agrees to advise the Authority of the steps it intends to take in connection with any such default. If the Health Center shall so notify the Authority, the Health Center may, and at the direction of the Authority, shall, in its own name or in the name of the Authority, prosecute any action or proceeding or take any other action involving any such Contract Manager, Architect, contractor, subcontractor, supplier or any surety which the Health Center deems reasonably necessary, and in such event the Authority hereby agrees to cooperate fully with the Health Center. If the Health Center, after direction from the Authority, refuses to prosecute any action or proceeding or take any other action against such Contract Manager, Architect, contractor, subcontractor, supplier or surety, the Authority may proceed to take all such action in the name of the Health Center or in its own name and the Health Center shall pay the Administrative Expenses in connection therewith.

INSURANCE REQUIREMENTS DURING CONSTRUCTION

(a) During the period of acquisition or construction relating to the 2017 Project and of any Capital Additions, the Health Center is required to maintain or cause to be maintained, including causing the contractor to maintain:

(i) builder's risk (or equivalent coverage) insurance against all risks upon any work done or materials furnished under the Acquisition and Construction Contracts except excavations, foundations and any other structures not customarily covered by such insurance, such policies to be written in completed value form for 100% of the insurable value of the contract in the names of the Health Center, the Authority, the Contract Manager and the Trustee, as their interests may appear, with loss payable to the Trustee; and

(ii) workmen's compensation and employer's liability insurance covering all employees of contractors in amounts required by law; and

(iii) public liability insurance providing coverage for bodily injury of not less than $1,000,000 for each occurrence and in the aggregate, and umbrella coverage in an amount not less than $2,000,000.

(b) All policies of insurance required under subsection (a) above are required to be issued by responsible companies qualified to do business in the Commonwealth and satisfactory to the Health Center and shall be in a form satisfactory to the Health Center. Each policy of insurance required by this Section, or a copy thereof or insurance certificate in respect thereof, shall be deposited with the Authority and the Trustee at or prior to settlement for the 2017 Bonds. In the case of the 2017 Project or Capital Additions involving construction, insurance proceeds received by the Health Center, the Authority or the Trustee in respect of insurance maintained pursuant to subsection (a)(i) above shall be deposited in the Construction Fund. In the case of any other Capital Additions, any such amounts shall be paid over to the Health Center and applied only toward the payment of the costs of the Capital Additions, provided that upon completion of such Capital Additions, any excess proceeds not required to be reserved against the payment of such costs may, upon certification by the Health Center and its Architect in the manner provided in the Original Indenture, be used for any lawful purpose of the Health Center.

PLEDGE OF GROSS REVENUES The Health Center pledges and grants to the Authority a first lien and security interest in all Gross Revenues derived from the operation of the Health Center Facilities and payment of the Bonds is a general obligation of the Health Center but <u>not</u> of the Grand Lodge. In any Event of Default, the Gross Revenues shall not be commingled with other funds of the Health Center but shall be immediately transferred to the Clearing Fund.

RATE COVENANT The Health Center covenants that it will fix, charge and collect, rates, fees and charges for the use of, and for services provided by, the Health Center which, together with other available funds, will be sufficient in each applicable Fiscal Year to provide funds for the following purposes: (a) in each Fiscal Year, beginning with the Fiscal Year ending December 31, 1989, to provide for the payment by the Health Center in such Fiscal Year of Operating Expenses; (b) in each Fiscal Year, beginning with the Fiscal Year ending December 31, 1990, to provide for the of the annual Administrative Expenses of the Authority; (c) to maintain a Debt Service Coverage Ratio, calculated at the end of each Fiscal Year beginning with the Fiscal Year ending December 31, 1989, of not less than 1.10; and (d) to provide amounts required, if any, to cure deficiencies in the Debt Service Reserve Fund as provided in the Indenture and the Loan Agreement.

The Health Center further covenants in the Loan Agreement that if in any Fiscal Year the Health Center fails to meet the rate covenant, the Health Center will request a Consultant to make a report and recommendations with respect to rates, fees and charges of the Health Center. Upon its receipt of such recommendations, the Health Center will, to the extent permitted by law and by its existing contracts, accept and implement such recommendations. During the period covered by such recommendations, the Health Center shall not be required to obtain additional reports and recommendations from the Consultant.

No Event of Default will occur under the Loan Agreement, if, after following the Consultant's recommendations, the Health Center fails to meet its rate covenants under the Loan Agreement.

INSURANCE The Health Center is required to provide and maintain casualty, public liability, malpractice, workmen's compensation, excess liability, business interruption, and other insurance meeting the requirements of the Loan Agreement, subject to periodic review and recommendations of the Insurance Consultant. All such policies, including fidelity bonds, shall provide that coverage shall not be reduced or cancelled without thirty (30) days prior written notice to the Authority and the Trustee. Alternative self-insurance or a captive plan is permissible provided the Insurance Consultant evaluates the proposal of the Health Center and approves. All proceeds of insurance in excess of 5% of the net book value after depreciation of

Property, Plant and Equipment shall be held in trust by the Trustee and shall be applied towards repair, reconstruction or replacement of assets damaged or condemned unless the failure to repair would not impair the Health Center's ability to comply with the rate covenant for the next two succeeding fiscal years in which even such proceeds or the excess proceeds shall be deposited in the Bond Redemption and Improvement Fund. The Health Center is required to furnish to the Authority and the Trustee, a certificate of the Insurance Consultant with respect to the adequacy of coverage no later than 30 days after the end of each Fiscal Year.

PERMITTED INDEBTEDNESS (Section 8.03). The Health Center covenants and agrees that it will not hereafter incur or assume any Indebtedness other than the following, which are referred to herein as "Permitted Indebtedness":

(a) No Indebtedness, other than Short Term Indebtedness incurred pursuant to subsection (e) of Section 8.03, shall constitute Permitted Indebtedness unless, in addition to the further requirements of Section 8.03, there shall have been delivered to the Trustee the following items:

(i) An Officers' Certificate of the Health Center stating (A) that no Event of Default has occurred and is then continuing; (B) in reasonable detail, the purpose or purposes for which the Permitted Indebtedness is to be incurred or assumed (such statement of purpose to include, by class of item, the estimated amounts necessary for the purpose or purposes to be financed and, if the total of such estimated amounts exceeds the available proceeds of the indebtedness to be incurred or assumed, the source or sources of other funds reasonably expected to be available therefor); (C) in reasonable detail, the terms of the Permitted Indebtedness to be incurred or assumed; and (D) that the incurrence or assumption of the Permitted Indebtedness and the purposes and terms thereof have been duly approved pursuant to a Certified Resolution of the Health Center, a copy of which shall be delivered together with the Officers' Certificate; and

(ii) For all Permitted Indebtedness in excess of 10% of Total Revenues, an Opinion of Counsel to the effect that (A) the purpose of the Permitted Indebtedness, as stated in the above-described Officers' Certificate, is one for which indebtedness may be incurred or assumed under Section 8.03; (B) all conditions prescribed therein as precedent to such incurrence or assumption have been fulfilled; (C) the additional Indebtedness has been validly authorized; and (D) the Health Center holds all licenses necessary for its operations as currently conducted (which licenses have not been suspended or revoked), and has complied with all applicable requirements of the Pennsylvania Health Care Facilities in connection with any Capital Addition to be financed by such Permitted Indebtedness; and (E) if acquisition of any real Property or interest therein is included in the purpose of such Permitted Indebtedness, (1) the Health Center has or can acquire good and marketable title thereto, free of all liens and encumbrances except as will not materially interfere with the proposed use thereof, or (2) the Health Center has or can acquire a valid, subsisting and enforceable leasehold, easement, right of way or other interest in real Property sufficient to effectuate the purpose of such Permitted Indebtedness (which opinion may be stated in reliance on an opinion of counsel or a title insurance policy issued by a reputable title insurance company); and

(iii) If the purpose of such indebtedness is the financing of any construction of Capital Additions or property in the nature thereof in excess of 10% of the book value before depreciation of Property, Plant and Equipment, an Architect's Certificate, or a Consultant's Certificate stating that, in the signer's opinion, (A) the construction items and the cost thereof stated in the Health Center Officers' Certificate delivered pursuant to subparagraph (i)above are reasonable; (B) the plans and specifications have been approved by the signer and all Regulatory Bodies required to approve them (specifying such Regulatory Bodies); and (C) the contracts entered into by the Health Center and the Health Center's agents (which contracts shall be specified) cover substantially all phases of the construction not being done by employees of the Authority or the Health Center and the contractors have furnished the bonds required by the Loan Agreement; and

(iv) Executed counterparts or certified copies of all documents providing for the incurrence or assumption of the indebtedness, the repayment thereof and security therefor.

(b) Long Term Indebtedness may be incurred by the Health Center if prior to incurrence of the Long Term Indebtedness one of the following conditions is met:

(i) there is delivered to the Trustee and the Authority an Officers' Certificate of the Health Center certifying that during each of the two Fiscal Years immediately preceding the date of delivery of such Officers' Certificate for which the financial statements have been reported upon by a Certified Public Accountant, the Debt Service Coverage Ratio, taking all Outstanding Long Term Indebtedness and the Long Term Indebtedness then to be incurred into account as if it had been incurred at the beginning of such period, would not have been less than 1.25; or

(ii) (A) there is delivered to the Trustee and the Authority an Officers' Certificate of the Health Center (accompanied by the report of a Certified Public Accountant mentioned below) certifying that for the two most recent Fiscal Years preceding the date of delivery of such Officer's Certificate for which the financial statements have been reported upon by the Certified Public Accountant, the Debt Service Coverage Ratio, taking all Outstanding Long Term Indebtedness, but not Long Term Indebtedness then to be incurred, into account, was not less than 1.25; and

(B) there shall be filed with the Trustee and the Authority the report of a Consultant to the effect that the forecasted Debt Service Coverage Ratio, taking the proposed Long Term Indebtedness into account, (1) in the case of Long Term Indebtedness (other than a guaranty) incurred to finance Capital Additions, for each of the first two Fiscal Years succeeding the date on which such Capital Additions are expected to be completed and in operation, or (2) in the case of Long Term Indebtedness incurred for other purposes or in the case of a guaranty, for each of the first two Fiscal Years succeeding the date on which such Long Term Indebtedness is incurred, shall be not less than 1.35, as forecast balance sheets, statements of revenue and expense of changes in financial position of the Health Center for each such Fiscal Year, accompanied by a statement of the relevant assumptions upon which such pro forma balance sheets and statements are based; or

(C) in addition to and without compliance with any tests mentioned in (i) or (ii) above, the Health Center may incur Long Term Indebtedness, including Interim Indebtedness, Completion Indebtedness and Optional Tender Indebtedness, provided that the amount of such Indebtedness outstanding, together with any Short Term Indebtedness incurred pursuant to subsection (e)(ii) below, shall not exceed 30% of Total Revenues of the Health Center for the last twelve months for which financial statements were examined by a Certified Public Accountant. Prior to issuing such Indebtedness, the Health Center shall deliver an Officers' Certificate certifying the aggregate Long Term Indebtedness incurred pursuant to this subsection and Short Term Indebtedness outstanding under Section 8.03(e) and demonstrating that the incurrence of such indebtedness will not result in the aggregate Long Term Indebtedness being in excess of that permitted to be incurred pursuant to this subsection.

(c) Completion Indebtedness may be incurred by the Health Center to a maximum of 15% of the principal amount of Indebtedness incurred to initially finance the project to be completed provided that there shall be filed with the Trustee a certificate from an Architect setting forth the costs of completing the project for which said debt is being incurred and an Officers' Certificate of the Health Center stating that the proceeds of the borrowing, together with earnings thereon, if applicable, and other legally available funds, will be sufficient to complete the project for which such debt is being issued.

(d) Long Term Indebtedness may be incurred by the Health Center for the purpose of refunding any Outstanding Long Term Indebtedness so as to render it no longer Outstanding, if prior to incurrence thereof:

(i) the Health Center, as appropriate, shall have adopted a resolution finding that such refunding is in the best interests of the Health Center and stating the reasons for such finding;

(ii) there is delivered to the Trustee an Opinion of Counsel stating that upon the incurrence of such proposed Long Term Indebtedness and application of the proceeds thereof, the Outstanding Long Term Indebtedness to be refunded thereby will no longer be Outstanding, accompanied by a report of a Certified Public Accountant verifying such conclusion unless such Outstanding Long Term Indebtedness is intended to be retired concurrently with the issuance of such refunding obligations; and

(iii) the Officers' Certificates and reports required by subsection (b) of Section 8.03 shall have been delivered to the Trustee, unless after incurring such Long Term Indebtedness and giving effect thereto, the Maximum Annual Debt Service Requirements for any succeeding Fiscal Year on all Long Term Indebtedness then to be Outstanding will not exceed 110% of the Maximum Annual Debt Service Requirements on all Long Term Indebtedness Outstanding immediately prior to incurring the proposed Long Term Indebtedness.

(e) (i) Short Term Indebtedness may be incurred if:

(A) There is in effect, at the time the Short Term Indebtedness provided for by subsection (e)(i) is incurred, a binding commitment upon commercially reasonable terms by a financial institution generally regarded as responsible to provide financing sufficient to pay such Short Term Indebtedness at its maturity; and

(B) The conditions described in Section 8.03(b) are met with respect to such Short Term Indebtedness if it is assumed that such Short Term Indebtedness is being incurred with substantially equal annual amounts to be paid for principal and interest over a term of 20 years and at an interest rate which is equivalent of the 30-year Revenue Bond Index published by or its successor, for the most recent week and certified, in an Officers' Certificate of the Health Center delivered to the Trustee, to be the term over which and interest rate at which it could reasonably expect to borrow the same amount by issuing Long Term Indebtedness the principal of which is amortized over said 30 year term; or

(ii) Short Term Indebtedness, other than as permitted in subsection (i) above may be incurred by the Health Center in the ordinary course of business or as needed to compensate for delays in receipt of payments from third-party payors in an amount not to exceed 20% of the Total Revenues of the Health Center for the last twelve months for which financial statements were examined by a Certified Public Accountant; Provided, however, that the Health Center shall be free from all such Short Term Indebtedness for a period of twenty (20) consecutive calendar days in each Fiscal Year, except for (a) Short Term Indebtedness up to an amount equal to 5% of Total Revenues, or such greater amount as shall be necessary, as stated in an Officers' Certificate, to compensate for delays in receipt of payments from third-party payors, or (b) which the Health Center is prevented from retiring as a result of changes in applicable laws and regulations or third-party reimbursement policies or procedures occurring after the incurrence of such Short Term Indebtedness, as evidenced by a Consultant's Certificate furnished to the Authority and the Trustee.

(f) Interim Indebtedness having a term of 60 months or less may be incurred by the Health Center in anticipation of Long Term Indebtedness to be issued for the purpose of financing Capital Additions, provided that, at the time such Interim Indebtedness is incurred:

(i) an Officers' Certificate of the Health Center is delivered to the Trustee stating that the anticipated financing by the issuance of Long Term Indebtedness is reasonably expected to be completed within the next 60 months; and

(ii) the conditions described in either subsections (b)(i) or (b)(ii) of Section 8.03 would be met with respect to such Interim Indebtedness if it were being incurred with substantially equal annual amounts to be paid for principal and interest over a term of twenty (20) years and at an interest rate which is equivalent of the 30-year Revenue Bond Index published by The Bond Buyer, or its successor, for the most recent week and certified in an Officers' Certificate of the Health Center delivered to the Trustee, to be the term over which, and interest at which, the Health Center could reasonably expect to borrow the same amount by issuing an obligation, the principal of which is amortized on a level debt service basis over a twenty (20) year term; provided, however, if there shall be in effect, at the time the Interim Indebtedness provided for by Section 8.03(f) is incurred, a binding commitment (other than a commitment requiring repayment on demand, in which case the provisions of clause (h) of Section 8.03 shall apply to such commitment) by a responsible financial lender to provide financing sufficient to retire the Indebtedness incurred hereunder within such 60-month period, the assumptions as to repayment of principal and interest rate for purposes of Section 8.03(f) shall be the actual terms of such commitment.

(g) Non-Recourse Indebtedness and Subordinated Indebtedness may be incurred without limitation by the Health Center;

(h) Long Term Indebtedness may be incurred by the Health Center as Balloon Long Term Indebtedness, if:

(i) such Balloon Long Term Indebtedness was amortized in equal installments of principal and interest over a term of 20 years at a rate equal to the 30-year Revenue Bond Index published by The Bond Buyer or its successor for the most recent week, as certified in an Officers' Certificate of the Health Center delivered to the Trustee; and

(ii) one of the incurrence tests set forth in either clause (b)(i) or (b)(ii) of Section 8.03 is met.

(i) If the Health Center shall incur Variable Rate Indebtedness, there shall be taken into account in determining the Maximum Annual Debt Service Requirements the amount of principal and interest in the year of such calculation, assuming that the interest rate is equivalent of the higher of:

(i) the rate currently in effect on such Variable Rate Indebtedness; or

(ii) the average over the preceding 12 months of the interest rate in effect on such Variable Rate Indebtedness.

(j) Optional Tender Indebtedness may be incurred by the Health Center, provided that:

(i) such Indebtedness may be incurred as Long Term Indebtedness under one of the provisions of subsection (b) above or as Short Term Indebtedness under one of the provisions of subsection (e) above;

(ii) if such Indebtedness is not covered by a Liquidity Agreement, such Indebtedness shall be considered Balloon Indebtedness subject to the provisions of subsection (h) above;

(iii) if such Indebtedness is covered by a Liquidity Agreement and has not been purchased pursuant to such Liquidity Agreement, such Indebtedness shall be treated as amortized in accordance with the documents governing such Indebtedness; and

(iv) if such Indebtedness is covered by a Liquidity Agreement and has been purchased pursuant to such Liquidity Agreement, such Indebtedness shall be treated as amortized in accordance with the provisions of such Liquidity Agreement.

RESTRICTIONS ON GUARANTIES (Section 8.04) The Health Center agrees that it will not enter into or become liable after the date of the Loan Agreement in respect of, or become liable in respect of, any guaranty except as follows:

The Health Center may guaranty the payment of principal and interest of indebtedness incurred by another Person upon the satisfaction of the requirements of Section 8.03 of the Loan Agreement, modified as provided in Section 8.04 thereof. There shall be delivered to the Trustee the report of a Consultant (or, under the circumstances under which an Officers' Certificate of the Health Center would be permitted under Section 8.03, an Officers' Certificate) showing the sum of the income available for debt service (determined in a manner as nearly as practicable as Net Income Available for Debt Service is determined hereunder) of the Person whose indebtedness is being guaranteed and the Net Income Available for Debt Service of the Health Center for each of the two Fiscal Years succeeding the date on which the guaranty is proposed to be made. If the debt service coverage ratio determined by dividing the total of such sum by the sum of the maximum annual debt service requirements on the indebtedness to be guaranteed and the Maximum Annual Debt Service Requirements hereunder is (A) equal to 1.0; (B) between 1.0 and 1.5; or (C) in excess of 1.5, then in the case of (A) the guaranty may be made if the requirements of Section 8.03 are satisfied where 100% of the annual debt service requirements on the indebtedness being guaranteed are included in Debt Service Requirements; in the case of (B) the guaranty may be made if the tests of Section 8.03 are satisfied where 50% of the annual debt service requirements on the indebtedness being guaranteed are included in Debt Service Requirements; and in the case of (C) the guaranty may be made if the tests of Section 8.03 are satisfied where 25% of the annual debt service requirements on the indebtedness being guaranteed are included in Debt Service Requirements.

Any provision of Section 8.04 to the contrary notwithstanding, the Health Center may guarantee the payment to any Governmental agency or any body created or approved by law or governmental regulation to enable the Health Center to participate in any funds in connection with workmen's compensation.

SECURING PERMITTED INDEBTEDNESS (Section 8.05). Permitted Indebtedness may be secured as follows:

(a) Long Term Indebtedness and Interim Indebtedness may be secured:

(i) By liens on and security interests in the Gross Revenues, of equal rank and priority with the security interests granted under the Loan Agreement; or

(ii) By liens on and security interest in the Gross Revenues subordinate to any liens and security interests granted to secure the Loan Agreement; or

(iii) By liens on or security interests in Property, subject to the limitations set forth in Section 8.06(o) of the Loan Agreement; or

(iv) By a purchase money security interest in Property, or a lien described in Section 8.03(h) of the Loan Agreement, or any security interest or lien given to secure Long Term Indebtedness or Interim Indebtedness incurred to refinance the foregoing, subject to the limitations set forth in Section 8.06(o) of the Loan Agreement;

Provided, however, that, except as provided in Section 8.06(o), if any such Long Term Indebtedness or Interim Indebtedness shall be further secured by any additional liens or security interests in any Property or in any revenues, receipts or income derived therefrom or from the ownership, operation or leasing thereof, the Health Center shall grant to the Trustee, as additional security for its obligations under the Loan Agreement, liens and security interests of at least equal rank and priority with the additional security for the Long Term Indebtedness or Interim Indebtedness; and

(b) in addition, any agreement for the repayment of any Long Term Indebtedness or indebtedness secured pursuant to subparagraph (a)(i) above, and any documents and evidencing or securing the same, shall contain such provisions as are necessary or appropriate to effectuate the intent of subsection (b) of Section 8.05 of the Loan Agreement and, without limiting the generality of the foregoing, shall provide:

(i) That any Event of Default under the Loan Agreement or under the Indenture shall be an event of default thereunder; and

(ii) That, if any event of default shall have occurred in respect of such Long Term Indebtedness or Interim Indebtedness, the holder or holders thereof shall be entitled only to such rights to exercise, consent to, or direct the exercise of, remedies with respect to any security for the Health Center obligations in respect of the Long Term Indebtedness or Interim Indebtedness as are available to the Bondholders, as such term is defined in the Indenture, under the Indenture, and that all such remedies are, except as otherwise provided in the Indenture, to be exercised solely by the Trustee for the equal and ratable benefit of all Bondholders, as such term is defined in the Indenture, and all holders of Long Term Indebtedness or Interim Indebtedness so secured;

For the purposes only of being entitled to remedies under the Indenture and of consenting to, or directing, actions to be taken in respect of such remedies, the holders of any such Long

Term Indebtedness or Interim Indebtedness shall be treated as Bondholders under the Indenture and the Long Term Indebtedness or Interim Indebtedness held by such Persons shall be treated as Additional Bonds under the Indenture.

(c) Non-Recourse Indebtedness may be secured:

(i) By a lien on and security interest in any property or interest in property, real, personal or mixed, other than the Health Center Facilities or Gross Revenues; or

(ii) By a purchase money security interest in the particular fixtures and equipment acquired with the proceeds thereof, and

(d) (i) Short Term Indebtedness may be secured:

(A) By a purchase money security interest in the particular fixtures and equipment acquired with the proceeds thereof; or

(B) By pledges, donations, gifts, grants, bequests or contributions, the principal of which has been designated or restricted by the donor or maker thereof at the time of making as being for specific purposes inconsistent with the payments.

(ii) Short Term Indebtedness incurred pursuant to Section 8.03(e) of the Loan Agreement may be secured by liens on and security interests in the Gross Revenues under the same terms and conditions as specified in Section 8.05(a).

(e) Subordinated Indebtedness may he secured by liens on and security interests in the Gross Revenues subordinate to any liens and security interests granted to secure Bonds and other Permitted Indebtedness secured pursuant to Section 8.05(a)(i) or 8.05(d)(ii).

PERMITTED ENCUMBRANCES (Section 8.06). The Health Center agrees that it will not create or suffer to be created or permit the existence of any lien upon Property now owned or hereafter acquired by the Health Center other than:

(a) The liens created by Section 5.01(a), Section 5.01(b) and Section 8.05 of the Loan Agreement, any other liens created in favor of the Holders of Bonds, as such phrase is defined in the Indenture, or the Trustee for the benefit of such Holders of Bonds and a security interest in the Gross Revenues to an Interest Rate Hedge Agreement Counterparty pursuant to an Interest Rate Hedge Agreement relating to a series of Bonds issued under the Indenture, which security interest shall rank pari passu with the security interest granted under Section 5.01(b) of the Loan Agreement;

(b) Liens arising by reason of good faith deposits with the Health Center in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Health Center to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for, the payment of taxes or assessments or other similar charges;

(c) 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 the Health Center to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, employee benefit plans or pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(d) Any judgment lien against the Health Center so long as such judgment is being contested and execution thereon is stayed or is sought to be stayed which, in the aggregate with all such liens which are not being contested or execution on which is not stayed, does not exceed $100,000;

(e) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or is sought to be stayed, with respect to which liens of mechanics, materialmen, laborers, suppliers or vendors have been due for less than 90 days; (iii) easements, rights of way, servitude, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the tide to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof, (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner; and (v) landlord's liens;

(f) Any lien described in Appendix A to the Loan Agreement which was existing on the date of authentication and delivery of the 1989 Bonds, provided that no such lien may be extended, renewed or modified to apply to any Property of the Health Center not subject to such lien on such date, unless such lien as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Loan Agreement;

(g) Any lien on Property acquired by the Health Center if an Officers' Certificate of the Health Center is delivered to the Trustee certifying that (a) the lien and the indebtedness secured thereby were created and incurred by a Person other than the Health Center acquiring such Property prior to acquisition of such Property by the Health Center, and (b) the lien was created prior to the decision of the Health Center to acquire the Property and was not created for the purpose of enabling the Health Center to avoid the limitations of the Loan Agreement on creation of liens on Property;

(h) Any lien resulting from installment sale agreements or financing leases relating to the acquisition of Property, if the Indebtedness which is secured by such purchase money security interest is incurred in compliance with Section 8.03 of the Loan Agreement;

(i) Liens on money deposited by patients or others with the Health Center as security for or as prepayment for the costs of patient care;

(j) Liens on Property received by the Health Center through gifts, grants or bequests, such liens being due to restrictions imposed by the donor, grantor or testator on such gifts, grants or bequests of Property or the income thereon;

(k) Liens on Property due to rights of third-party payors for recoupment of amounts paid to the Health Center for patient care;

(l) Liens arising under law or by contract with respect to initial deposits made under life-care contracts, including, without intending to limit the generality of the foregoing, the obligations of the Health Center under a Resident's Agreement including the obligation to refund all or a portion of any entrance fee;

(m) Liens resulting from governmental regulation on the use of Property, including, but not limited to, zoning laws or regulations;

(n) Statutory reversers under any federal or state legislation; and

(o) Other liens in addition to liens otherwise permitted by the Loan Agreement provided that the Trustee shall have received an Officers' Certificate of the Health Center which states that:

> (i) after giving effect to such lien, no more than 20% of the book value before depreciation of Property, Plant and Equipment of the Health Center shall be encumbered pursuant to Section 8.06(h) and Section 8.06(o), unless such lien is for the ratable benefit of all Holders of Bonds, as such phrase is defined in the Indenture, and other Permitted Indebtedness issued on a parity with the obligations of the Health Center under the Loan Agreement; and
>
> (ii) after giving effect to such lien, the Health Center could satisfy the test set forth in Section 8.03(b) for incurring one dollar of additional Long Term Indebtedness.

CONSOLIDATION, MERGER, DIVISION AND/OR TRANSFER (Section 9.06). The Health Center has covenanted not to consolidate, merge, divide and transfer with another organization(s) unless:

(a) The successor organization(s) is a non-profit organization and assume(s) the obligations of the Health Center;

(b) The Health Center certifies that there are no defaults under the Indenture or the Loan Agreement;

(c) The Health Center shall have delivered to the Trustee and the Authority a Certified Public Accountant's Certificate showing that, if such consolidation, merger, division or transfer had taken place at the end of the immediately preceding Fiscal Year, the ratio of the successor's Long Term Indebtedness to unrestricted fund balance at the end of such fiscal year would not have been less than 1.25;

(d) The Health Center shall have delivered to the Trustee and the Authority a Certified Public Accountant's Certificate showing that, if such consolidation, merger, division or transfer had taken place at the beginning of the immediately preceding Fiscal Year, the successor's Debt Service Coverage Ratio for such Fiscal Year either:

(i) would not have been reduced by more than 35% from the actual Debt Service Coverage Ratio for such Fiscal Year and would not have been less than 1.50; or

(ii) would not have been reduced by more than 10% from the actual Debt Service Coverage Ratio for such Fiscal Year and would not have been less than 1.25; or

(iii) would have been not less than the actual Debt Service Coverage Ratio for such Fiscal Year; and

(e) The restricted and unrestricted fund balance of the Health Center (or successor corporations, as applicable) shall not be less than 90% of that of the Health Center immediately prior to the transfer merger or consolidation; and

(f) The Authority and the Trustee have received an Opinion of Bond Counsel that the tax-exempt status of the Bonds will not be affected.

TRANSFERS, MORTGAGES, LIENS, CONVEYANCES (Section 9.07). The Health Center may remove, sell or dispose of Operating Assets:

(a) in the ordinary course of business or for fair market value as determined by an appraisal prepared by a member of the Appraisal Institute;

(b) up to an aggregate value equal to five percent (5%) of the net book value after depreciation of Property, Plant and Equipment in any Fiscal Year with or without consideration;

(c) in excess of the foregoing amount, whether or not in the ordinary of business or for less than full value, provided that the Trustee shall have received either:

(i) an Officers' Certificate (accompanied by a report of a Certified Public Accountant) stating that if such sale, lease or other disposition had taken place at the beginning of either of the two most recent Fiscal Years for which audited financial statements are available, the Debt Service Coverage Ratio of the Health Center either: (A) would not have been reduced by more than 35% from the actual Debt Service Coverage Ratio for such Fiscal Year and would not have been less than 2.00; or (B) would not have been reduced by more than 10% from the actual Debt Service Coverage Ratio for such Fiscal Year and would not have been less than 1.75; or

(ii) a Consultant's opinion and report stating that the projected Debt Service Coverage Ratio for the Health Center, taking into account the proposed sale, lease or other disposition, for the next two Fiscal Years following such sale, lease or disposition, will be greater than the projected Debt Service Coverage Ratio if such sale, lease or disposition had not occurred.

Subleases, easements, licenses, etc., are permitted in order to permit the Health Center to conduct its business.

TRANSFERS OF NON-OPERATING ASSETS (Section 9.08). The Health Center shall not sell, lease, donate, exchange or otherwise dispose of Non-Operating Assets, unless there is delivered to the Trustee, either:

(a) an Officer's Certificate stating that the aggregate amount of non-operating transferred pursuant to this clause (i) during the then-current Fiscal Year does not exceed fifteen percent (15%) of the total amount of unrestricted cash and investments of the Health center, including board-designated funds, but excluding funds held by the Trustee under the Indenture, as stated in the most recent audited balance sheet; or

(b) an Officer's Certificate or a Consultant's opinion and report stating that the Debt Service Coverage Ratio of the Health Center, calculated by subtracting the amount of Non-Operating Assets proposed to be transferred, is at least sufficient to meet the requirements set forth above in paragraph (c)(i) or (c)(ii) under "TRANSFERS, MORTGAGES, LIENS, CONVEYANCES" above.

For the purposes of the foregoing, any discount on the sale of accounts receivable (which discount shall not exceed 20%) with or without recourse shall be treated as a disposition of Non-Operating Assets in an amount equal to the amount of such discount.

EVENTS OF DEFAULT (Section 10.01). The following constitute Events of Default under the Loan Agreement:

(a) The Health Center fails to make any required payment under Section 6.02 of the Loan Agreement for a period of ten (10) days thereafter.

(b) The Health Center fails to make any other required payment and such failure continues for thirty (30) days thereafter.

(c) The Health Center fails to perform any of its other covenants, conditions or provisions under the Loan Agreement or Indenture and such failure continues for a period of thirty (30) days after the Authority or the Trustee gives the Health Center written notice thereof.

(d) The Health Center makes an assignment for the benefit of creditors or any proceeding in bankruptcy is commenced, and is not vacated, dismissed or stayed on appeal within ninety (90) days.

(e) The Health Center shall be in default of any obligations related to Permitted Indebtedness secured on a parity basis with Bonds of the existence of the default entitles the lender to accelerate the repayment of such debt.

(f) If an Event of Default occurs under the terms of the Indenture and is not cured by the Health Center.

(g) If the Health Center fails to pay any amount to be paid with respect to the purchase price of the 1996, 2008 or 2013 Bonds Tendered or Deemed Tendered for Purchase on any Tender Date.

ASSIGNMENT OF LOAN AGREEMENT The Authority is required to assign the Loan Agreement to the Trustee as collateral to secure repayment of the Bonds.

AMENDMENT AND MODIFICATION The Authority and the Health Center may supplement, amend or modify the terms of the Loan Agreement in accordance with the same terms and procedures established for amendments or modifications of the Indenture, as described hereinafter in the Summary of the terms of the Trust Indenture.

TRUST INDENTURE

SECURITY The 2017 Bonds will be secured under the Indenture between the Authority and the Trustee, which also provides for the issuance of Additional Bonds. The Indenture is a lien against all funds held thereunder in favor of the Bondholders.

PLEDGE OF GROSS REVENUES Under the Indenture all right, title and interest of the Authority in and to the Loan Agreement which includes Gross Revenues as defined in the Loan Agreement from the Health Center Facilities have been pledged, in the following order of priority, to the Trustee, to secure payment of the principal of, premium, if any, and interest on the 2017 Bonds according to their tenor, to secure performance and observance of all covenants and conditions therein and to declare the terms and conditions upon which the 2017 Bonds are secured.

CLEARING FUND All payments payable by the Health Center under the Loan Agreement are required to be deposited in the Clearing Fund.

DEBT SERVICE FUND All funds for the payment of the principal of and interest on the 2017 Bonds are required to be deposited in the Debt Service Fund.

CONSTRUCTION FUND Under the Indenture ,there are created two separate sub-accounts within the Construction Fund, known as the "2017 Bonds Construction Fund-Elizabethtown Cottage Project" and the "2017 Bonds Capitalized Interest Sub-Account" (collectively, the "2017 Bonds Sub-Accounts") which are required to be held by the Trustee, in trust, and shall consist of funds deposited therein for purposes of paying Costs, Costs of Acquisition or Costs of Construction relating to the 2017 Project, and for making other payments and transfers as are or shall be provided therein.

The Authority shall deliver to the Trustee, for deposit in the 2017 Bonds Sub-Accounts, the proceeds of sale of the 2017 Bonds, as and to the extent provided in the Indenture. The Health Center may specify in writing any transfers to be made between the 2017 Bonds Sub-Accounts.

In addition to other deposits to be made in the 2017 Bonds Sub-Accounts, the Authority is required to deliver to the Trustee for deposit therein, as specified in writing by the Health Center, any money received by it (after deduction of all costs, fees and expenses incurred in connection with recovery thereof) from any contractor or any surety under any bid, performance, payment or penalty bond and any amounts otherwise received by the Authority by virtue of a cause of action arising from any bid or contract relating to acquisition or construction or other work with regard to the 2017 Project.

DISBURSEMENTS FROM CONSTRUCTION FUND Payments (excluding payments and transfers from the 2017 Bonds Capitalized Interest Sub-Account and payments and transfers to other Funds created under the Indenture as shall be authorized separately under the Indenture) shall be made from the 2017 Bonds Construction Fund Elizabethtown Cottage Project by the Trustee in accordance with the provisions of the Indenture. Until the funds on deposit in the 2017 Bonds Capitalized Interest Sub-Account are depleted, the Trustee is authorized to transfer funds from the 2017 Bonds Capitalized Interest Sub-Account to the Debt Service Fund without any further action or direction by the Authority or the Health Center, as and when needed to make the transfers required from the Debt Service Fund.

Upon completion of the 2017 Project, the Trustee is required to transfer, as directed in writing by the Health Center in the certificate required to be filed pursuant to appropriate provisions of the Original Indenture, the balance, if any, remaining in the 2017 Bonds Sub-Accounts (i) to the Debt Service Fund to pay interest due on the 2017 Bonds in accordance with the provisions of the Indenture, if the Health Center has delivered to the Trustee an opinion of Bond Counsel that such use shall not adversely affect the tax-exempt status of interest income on the 2017 Bonds; or (ii) to the Bond Redemption and Improvement Fund.

BOND REDEMPTION AND IMPROVEMENT FUND After all transfers have been made from the Clearing Fund, the Trustee shall deposit any balance therein in excess of $10,000 in the Bond Redemption and Improvement Fund. Payments provided in the Loan Agreement shall also be deposited in the Bond Redemption and Improvement Fund, together with any other money available under the Indenture.

If any deficiency exists in the Debt Service Fund, the Trustee shall transfer sufficient amounts from the Bond Redemption and Improvement Fund to eliminate the deficiency. Otherwise, money in the Bond Redemption and Improvement Fund may be used or applied towards costs of Extraordinary Repairs, Capital Additions, the purchase or redemption of Bonds, or costs incurred in connection with the issuance of Additional Bonds.

REBATE FUND To preserve the federal tax-exempt status on the 2017 Bonds, the Trustee is authorized to transfer to the Rebate Fund periodically, from investment earnings on funds held under the Indenture, or from the Clearing Fund, amounts calculated, by or on behalf of the Authority or the Health Center, to be necessary to provide for payment to the United States of "arbitrage profits" earned on amounts held under the Indenture. The Trustee is authorized to withdraw and pay to the United States such amounts in the Rebate Fund as are required to satisfy the arbitrage rebate requirements of the Internal Revenue Code of 1986, as amended.

INVESTMENT OF FUNDS Money held under the Indenture shall be invested by the Trustee, pursuant to directions of the Health Center or the Authority, in Investment Securities.

Income received upon investments of funds during any construction period, if not required to maintain the applicable fund in the requisite amount, shall be transferred to the applicable Construction Fund. Thereafter, upon written notification, income may be paid to the Health Center or to the Clearing Fund on account of the payments next due under the Loan Agreement.

ADDITIONAL BONDS Additional Bonds may be issued on a parity, as provided in the Indenture, upon compliance with provisions of the Loan Agreement and the Indenture, for any or all of the following purposes:

(a) Completion of the Project;

(b) Paying the costs of Capital Additions; and

(c) Refunding Outstanding Bonds.

A Supplement to the Loan Agreement shall provide for additional payments to pay Debt Service Requirements on the Additional Bonds.

COVENANTS OF THE AUTHORITY The Authority covenants to pay from payments under the Loan Agreement and other revenues of the Authority derived in any manner from the Health Center Facilities the principal of, premium, if any, and interest on the 2015 Bonds. It is required to maintain the Health Center Facilities in good repair and operating condition, to operate the same, and to make necessary repairs and improvements. So long as any of the Bonds remain outstanding, the Authority will require the Health Center to pay all payments due under the Loan Agreement and will require the Health Center to faithfully observe its covenants in the Loan Agreement, and, if necessary, will institute and prosecute all legal proceedings appropriate for protection of the Bondholders.

The Authority will not create or suffer any lien or charge upon the Health Center Facilities nor permit the sale, transfer or other encumbrance on any part of the Health Center Facilities, except as permitted by the Indenture or Loan Agreement.

DEFAULT AND REMEDIES An "Event of Default" shall occur under the Indenture in the following circumstances:

(a) Payment of interest upon any Bond shall not be made at the due date; or

(b) Payment of any part of the principal of or premium, if any, on any Bond shall not be made at maturity or when due upon call for redemption or otherwise; or

(c) The Authority shall fail or shall refuse to comply with any provision of the Act or shall be rendered incapable of fulfilling its obligations under the Indenture or under the Act; or

(d) There shall be a default under the Loan Agreement which default shall not have been cured by the Health Center and such default shall continue for thirty (30) days; or

(e) The Health Center Facilities or any part thereof necessary for its efficient operation shall be wholly or partially destroyed or damaged and shall not have been promptly repaired, replaced or rebuilt; or

(f) The Authority shall default in performance of any agreement made with holders of the Bonds; or

(g) An order or decree shall be entered with consent or acquiescence of the Authority granting relief or appointing a receiver of the Health Center Facilities or any part thereof or of receipts, revenues and money derived therefrom, or if such order or decree, having been entered without consent or acquiescence of the Authority, shall not be vacated, discharged or stayed on appeal with thirty (30) days after entry; or

(h) The Authority shall default in due and punctual performance of any covenant, condition, agreement or provision contained the Bonds or the Indenture, and such default shall have continued for a period of thirty (30) days after written notice by the Trustee, which may give such notice in its discretion, and shall give such notice upon written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; or

(i) Payment of any amount due in respect of the purchase price of any 1996 Bond Tendered or Deemed Tendered for Purchase on a Tender Date shall not be made on the date expressed therefore;

(j) Payment of any amount due in respect of the purchase price of any 2008 Bond Tendered or Deemed Tendered for Purchase on a Tender Date shall not be made on the date expressed therefore;

(k) Receipt by the Trustee of a written notice from the Letter of Credit Provider stating that an event of default has occurred under the Letter of Credit Agreement and directing the Trustee to declare the principal of the outstanding 1996 Bonds immediately due and payable; or

(l) Receipt by the Trustee of a written notice from the Letter of Credit Provider stating that the Letter of Credit will not be reinstated with respect to interest on the 1996 Bonds.

(m) Receipt by the Trustee of a written notice from the 2008 Bonds Letter of Credit Provider stating that an event of default has occurred under a 2008 Bonds Letter of Credit Agreement and directing the Trustee to declare the principal of the Outstanding 2008 Bonds immediately due and payable.

(n) Receipt by the Trustee of a written notice from the 2008 Bonds Letter of Credit Provider stating that a 2008 Bonds Letter of Credit will not be reinstated with respect to interest on the 2008 Bonds of a series.

(o) Receipt by the Trustee from the Bank, during an Interest Rate Period for which the Bank is the owner of the 1996 Bonds, the Series A or Series B of 2008 Bonds or the Series of 2013 Bonds, as applicable, that an event of default has occurred under the Continuing Covenant Agreement related to the 1996 Bonds, the Series A or Series B of 2008 Bonds or the 2013 Bonds, as applicable.

Upon the happening and continuance of any Event of Default with respect to the 2015 Bonds, the Trustee may declare, and shall upon written request of Holders of not less than 25% in the aggregate of the principal amount of Bonds then Outstanding declare, the principal of all Bonds then Outstanding and all accrued interest thereon to be immediately due and payable. The Trustee may exercise and enforce each and every right granted to the Authority under the Loan Agreement, and may institute, and upon written request of Holders of at least 25% in aggregate of the principal amount of Bonds then Outstanding shall institute, any proper legal or equitable proceeding to protect the rights of the Bondholders. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture; provided, however that such direction shall not be contrary to law or to the provisions of the Indenture, and provided further, that the Trustee shall have the right to decline to follow such direction which, in its opinion, would be prejudicial unjustly to the rights of Bondholders under the Indenture who are not parties to such direction.

The Trustee shall not give any Holder notice of a default with respect to the 1996 Bonds, 2008 Bonds or 2013 Bonds under the Indenture (except upon the occurrence of an Event of Default under subparagraphs (k), (l), (m), (n) or (o) above), the Loan Agreement or any other documents executed and delivered in connection with the 1996 Bonds, 2008 Bonds or 2013 Bonds, or declare the principal amount of all 2008 Bonds then Outstanding and interest accrued thereon to such date to be immediately due, unless directed in writing by the 2008 Bonds Letter of Credit Provider or the Bank, or unless the 2008 Bonds Letter of Credit Provider shall be in default of its obligations under the Letter of Credit or a voluntary or involuntary case has been commenced by the filing of a petition under the United States Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts by or against the 2008 Bonds Letter of Credit Provider. Upon the occurrence of an Event of Default under subparagraphs (k), (l), (m), (n) or (o) above, the Trustee shall, and upon the occurrence of an Event of Default under subparagraphs (a), (b), (i) or (j), the Trustee may and upon the written request of the 2008 Bonds Letter of Credit Provider, the Bank or the Holders of a majority in principal amount of the 1996 Bonds, 2008 Bonds or the 2013 Bonds, as applicable, outstanding shall, declare respectively, the principal of all 1996 Bonds, 2008 Bonds or 2013 Bonds, outstanding (if not then already due and payable), and the interest accrued thereon, to be due and payable immediately, such declaration to be made by a notice in writing delivered to the Authority and the Health Center. Upon any declaration that the principal of and interest on the

1996 bonds, 2008 Bonds or the 2013 Bonds, as applicable, are due and payable immediately, such respective principal and interest shall become and be due and payable immediately.

Upon any such declaration under the Indenture with respect to the 1996 Bonds, 2008 Bonds or 2013 Bonds, as applicable, the Trustee shall (i) immediately exercise such rights as it may have under the corresponding Loan Agreement to declare all payments thereunder to be immediately due and payable and (ii) immediately draw upon the applicable Letter of Credit to the full extent permitted by the terms thereof (such drawing to provide for payment to be due at the earliest time which the Trustee may require under such Letter of Credit). Interest on the accelerated 1996, 2008 or 2013 Bonds, as applicable, shall cease to accrue upon such declaration of acceleration. Upon receipt by the Trustee of payment of the full amount drawn on the applicable Letter of Credit and provided sufficient moneys are available in the Debt Service Fund to pay all sums due on the 1996 Bonds, the 2008 Bonds or the 2013 Bonds, as applicable, the 1996, 2008 or the 2013 Bonds Letter of Credit Provider, as the case may be, shall succeed to and be subrogated to the right, title and interest of the Trustee and the Holders in and to the Loan Agreement, all funds held under the Indenture (except any funds held in the Debt Service Fund or any account with respect to the 1996, 2008 Bonds or 2013 Bonds Tendered or Deemed Tendered for Purchase which are identified for the payment of such 1996,2008 or 2013 Bonds, or of the purchase price of the 1996, 2008 or 2013 Bonds Tendered or Deemed Tendered for Purchase and any funds held in the Rebate Fund) and any other security held for the payment of the 1996, 2008 or 2013 Bonds, as applicable, all of which, upon payment of any fees and expenses due and payable to the Trustee pursuant to the Loan Agreement or the Indenture, shall be assigned by the Trustee to the 1996, 2008 or 2013 Bonds Letter of Credit Provider, as the case may be.

If, after the principal of the 1996, 2008 or 2013 Bonds, as applicable, has been so declared to be due and payable, all arrears of principal of and interest on such 1996, 2008 or 2013 Bonds outstanding are paid, and the Authority and the Health Center also perform all other things in respect of which either of them may have been in default under the Indenture or under the corresponding Loan Agreement and pay the reasonable charges of the Trustee, the Holders and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Trustee or the Holders of a majority in principal amount of the 1996, 2008 or 2013 Bonds outstanding, as applicable, by written notice to the Authority and the Health Center (and to the Holders or the Trustee, as the case may be), may annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and all Holders; provided that there shall be no annulment of any declaration resulting from (1) any Event of Default specified in subparagraphs (k), (l), (m), (n) or (o) above without the prior written consent of the 1996, 2008 or 2013 Bonds Letter of Credit Provider or (2) any Event of Default which has resulted in a drawing under the applicable Letter of Credit unless the Trustee has received written notice from the 1996, 2008 or 2013 Bonds Letter of Credit Provider that the corresponding Letter of Credit has been reinstated. No annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

THE TRUSTEE The Trustee shall not be answerable for its exercise of discretion, except for willful misconduct or gross negligence. It shall be entitled to rely upon opinions and documents, and the advice of counsel, and shall be under no obligation to take action with respect to any Event of Default unless furnished with satisfactory indemnity.

AMENDMENT AND MODIFICATIONS Without the consent of the Bondholders, the Authority and the Trustee may modify the Indenture to cure any ambiguity, formal defect or omission, to confer upon the Trustee additional rights and remedies, or to reflect a change applicable to law. Consent of the Bondholders holding not less than 66-2/3% of the principal amount of all Bonds then Outstanding is otherwise required to amend or modify the Indenture.

DEFEASANCE Whenever all Bonds Outstanding under the Indenture and all other sums due thereunder have been paid, or provisions shall have been made for payment, then the right, title, and interest of the Trustee under the Indenture shall cease and the Trustee shall release and discharge the lien of the Indenture. Provision for payment of Bonds may be made by depositing Government Obligations.

Bonds and interest claims for the payment of which money shall have been deposited with the Trustee shall be deemed to be paid and no longer Outstanding under the Indenture and shall not be entitled to the benefits and security of the Indenture.

LOAN AGREEMENT AND INDENTURE PROVISIONS RELATING TO A MASTER INDENTURE The Health Center may enter into a Master Indenture and agree to be jointly and severally liable for all Master Indenture Obligations issued thereunder provided that each of the following conditions is satisfied:

(a) The Trustee shall have received a Consultant's Certificate to the effect that the applicable provisions of the Loan Agreement and of the Indenture would have been satisfied for a merger of the Health Center and all other Obligated Issuers as of the date of execution of the Master Indenture.

(b) The Master Indenture shall:

(i) provide for the issuance of and security for Master Indenture Obligation;

(ii) provide that all Obligated Issuers shall be jointly and severally liable for all Master Indenture Obligations;

(iii) specify the conditions under which Obligated Issuers may be added to or may withdraw from the Obligated Group, provided that no provision of the, Master Indenture shall permit any such addition or withdrawal unless, immediately upon the completion thereof, the provisions of the Indenture (or any comparable provisions included in the Master Indenture pursuant to the Indenture) would have been satisfied for a merger of all Obligated Issuers; and

(iv) contain such additional provisions as may be necessary or appropriate in order to provide for the proper operation of the Master Indenture and for the issuance of and security for all Master Indenture Obligations, provided that such provisions do not adversity affect the security for the Bonds.

(c) Master Indenture Obligations shall be issued in favor of the Trustee and each holder of outstanding Permitted Indebtedness, under the terms of which payments shall be due at the times and in the amounts necessary to satisfy the Health Center's payment obligations in respect of all Bonds and Permitted Indebtedness.

(d) The Trustee shall have received an Opinion or Opinions of Counsel to the effect that:

(i) the execution and delivery of the Master Indenture will not constitute or result in an event of default under the Loan Agreement and the Indenture, under any documents evidencing or securing any other Indebtedness of the Health Center, or any other similar documents then in effect with respect to the indebtedness of any other Obligated Issuer; and

(ii) the Master Indenture constitutes a legal, valid and binding obligation of each Obligated Issuer, enforceable in accordance with its terms except as limited by bankruptcy, insolvency or other laws and equitable principles affecting creditors' rights generally; and

(iii) that the Bonds will continue to be exempt from registration under any Federal or state securities or "Blue Sky Laws", as to which such exemption was available immediately prior to the Health Center's execution of the Master Indenture.

(e) The Trustee shall have received an opinion of nationally recognized bond counsel to the effect that the execution and delivery of the Master Indenture will not adversity affect the validity or tax-exempt status of any series of Bonds then Outstanding.

Upon the Health Center's execution and delivery of a Master Indenture pursuant to the foregoing, the Health Center shall be entitled to release of any Guaranty and the release and substitution of certain provisions of the Loan Agreement and the Indenture as follows:

(a) The Health Center shall be entitled to a release of the security interest granted pursuant to the Loan Agreement if and to the extent that a security interest in its Gross Receipts, fixtures and equipment is granted in favor of the Master Trustee to secure the Health Center's obligations under the Master Indenture.

(b) The Health Center shall be entitled to a release of its obligations under any provision of the Loan Agreement and the Indenture at or after the time of execution and delivery of the Master Indenture if and to the extent that:

(i) in the opinion of nationally recognized bond counsel (delivered in writing to the Trustee), such release will not adversely affect the validity or tax-exempt status of any series of Bonds then Outstanding; and

(ii) the Master Indenture contains substitute provisions which impose comparable obligations upon all Obligated Issuers. For the purposes of the foregoing, obligations imposed under any substitute provision shall be deemed to be comparable to obligations imposed on the Health Center under the Loan Agreement and the Indenture if:

(A) with respect to any action required to be taken by the Health Center, each Obligated Issuer shall similarly be required to take such action under the Master Indenture; and

(B) with respect to any action permitted to be taken by the Health Center, such action may be taken by an Obligated Issuer under the Master Indenture only if it could have been taken by the Health Center; and

(C) with respect to coverage ratios, and tests for incurrence of indebtedness and transfers of assets, such coverage ratios and tests shall be at least as great as the comparable coverage ratios and tests set forth in the Loan Agreement and the Indenture;

provided that any substitute for provisions of the Indenture regarding calculations of revenues, assets or liabilities of the Health Center shall require such calculations to be made for the Obligated Group on a combined basis, subject to generally accepted accounting principles; and provided further that, except as otherwise required by the Authority in connection with any proposed substitution of provisions, any certificates, opinions, reports or other documents required to be delivered to the Authority or the Trustee may instead be required to be delivered to the Master Trustee on behalf of all holders of the Master Indenture Obligations.

APPENDIX D

Form of Bond Counsel Opinion

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STEVENS & LEE
LAWYERS & CONSULTANTS

111 North 6th Street
P.O. Box 679
Reading, PA 19603-0679
(610) 478-2000 Fax (610) 376-5610
www.stevenslee.com

February __, 2017

Re: $________ Lancaster County Hospital Authority
Health Center Revenue Bonds (Masonic Villages Project) Series of 2017
(the "2017 Bonds")

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED 2017 BONDS

We have acted as Bond Counsel in connection with the issuance by the Lancaster County Hospital Authority (the "Authority") of the above-captioned 2017 Bonds under the Municipality Authorities Act, being Act 22 of 2001, as amended (the "Act"). The 2017 Bonds are being issued as Additional Bonds by the Authority pursuant to the terms of a Trust Indenture dated as of October 1, 1989 (the "Original Indenture"), as amended, restated and supplemented from time to time, including, but not limited to, a Thirteenth Supplemental Trust Indenture dated as of February 1, 2017 (the "Thirteenth Supplemental Indenture" and together with the Original Indenture, as amended, restated and supplemented from time to time, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, having a corporate trust office in Pittsburgh, Pennsylvania (the "Trustee").

The 2017 Bonds are being issued by the Authority for the benefit of Masonic Villages of the Grand Lodge of Pennsylvania, a Pennsylvania non-profit corporation ("Masonic Villages"), to provide funds to finance certain costs of a project (the "2017 Project") consisting of, among other things: (i) the acquisition, design, construction, furnishing, and related improvements of 72 new independent living cottages at Masonic Villages' Elizabethtown, Pennsylvania campus, including the costs associated with relocating the landscape operations building and resident gardens from their current locations on the site of the Project and the payment and reimbursement of costs and expenses relating thereto; and (ii) the payment of certain of the costs and expenses in connection with the issuance of the 2017 Bonds. All capitalized terms used in this opinion and not defined herein shall have the meanings assigned to them in the Indenture unless the context clearly requires otherwise.

The Authority and Masonic Villages have entered into an Twelfth Supplemental Loan Agreement dated as of February 1, 2017 (the "Twelfth Supplemental Loan Agreement"), which amends and supplements that certain First Supplemental and Restated Loan Agreement dated as of February 1, 1994, as previously amended, restated and supplemented (the "Loan Agreement"), pursuant to which the Authority has agreed to loan the proceeds of the 2017 Bonds to Masonic Villages to finance the 2017 Project and Masonic Villages has agreed, among other things, to make certain loan payments to the Authority in such amounts and at such times as to permit the

Authority to pay, among other things, the purchase price, the principal of, premium, if any, and interest on the 2017 Bonds when due.

Pursuant to the provisions of the Indenture, the Authority has, among other things, pledged, assigned and granted to the Trustee all of its right, title and interest in and to the Loan Agreement (except for certain indemnification rights and the right to be reimbursed for certain costs and expenses that it may incur as provided in the Loan Agreement).

The 2017 Bonds issued this date are dated, mature and bear interest and are subject to redemption prior to maturity upon the terms and conditions stated therein and in the Indenture. The 2017 Bonds are initially issuable as registered bonds in denominations of $5,000 and integral multiples of $5,000 in excess thereof.

In our capacity as Bond Counsel, we have reviewed the following:

1. The Act;

2. A certified copy of the Articles of Incorporation of the Authority;

3. Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations and rulings promulgated thereunder;

4. The General Certificate of the Authority and all exhibits thereto;

5. The General Certificate of Masonic Villages and all exhibits thereto;

6. The opinion of McNees Wallace & Nurick, LLC in their capacity as counsel to the Authority;

7. The Bond Purchase Agreement among the Authority, Masonic Villages and Wells Fargo Securities dated [February __], 2017;

8. A specimen copy of the 2017 Bonds;

9. An executed Nonarbitrage Certificate and Compliance Agreement of the Authority delivered this day;

10. An executed Confirmation Certificate of Masonic Villages delivered this day;

11. An executed Certificate of the Purchaser delivered this day;

12. An executed Certificate Regarding Information Contained in Form 8038 delivered this day;

13. The information return of the Authority on Form 8038 delivered this day; and

14. Original counterparts or certified copies of the Loan Agreement, the Indenture, and the other documents, agreements, certificates and opinions delivered at the closing held this day.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement and other relevant documents, certificates and agreements may be changed and certain actions (including, without limitation, defeasance of 2017 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

For purposes of our opinion, we have assumed that the proceeds of the 2017 Bonds will be expended as required by and described in the Loan Agreement, the Indenture, the Nonarbitrage Certificate and Compliance Agreement and the other relevant documents, agreements, instruments and certificates executed and delivered in connection with the issuance of the 2017 Bonds (collectively, the "Bond Documents"). Finally, we have assumed that each party to the Bond Documents will carry out all obligations imposed on such party by the Bond Documents in accordance with the terms thereof and that all representations and certifications contained in the Bond Documents are accurate, true and complete.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), with full power and authority to execute and deliver the Thirteenth Supplemental Indenture and the Twelfth Supplemental Loan Agreement and to issue and sell the 2017 Bonds.

2. The Thirteenth Supplemental Indenture and the Twelfth Supplemental Loan Agreement have each been duly authorized, executed and delivered by the Authority and each such document constitutes the valid and binding obligation of the Authority.

3. The issuance of the 2017 Bonds has been duly authorized by the Authority. The 2017 Bonds have been duly and validly authorized, executed and delivered by the Authority and, when duly authenticated by the Trustee, will constitute valid and binding obligations of the Authority.

4. Under the laws of the Commonwealth, the 2017 Bonds and interest on the 2017 Bonds are free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the 2017 Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the 2017 Bonds are subject to State and local taxation within the Commonwealth.

5. Interest on the 2017 Bonds is not includable in gross income under Section 103(a) of the Code.

6. Under the Code, interest on the 2017 Bonds held by persons other than corporations (as defined for federal tax purposes) does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax for federal income tax purposes.

7. Under the Code, interest on the 2017 Bonds held by a corporation (as defined for federal tax purposes) does not constitute an item of tax preference under Section 57 of the Code; however, corporations subject to alternative minimum tax will be required to include, among other things, amounts treated as interest on the 2017 Bonds as an adjustment in computing alternative minimum taxable income in the manner provided in Section 56 of the Code.

A. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the 2017 Bonds and we disclaim any obligation to update this letter.

B. As to questions of fact material to our opinion, we have relied upon the representations, statements, expectations and certifications contained in the documents and other certified proceedings reviewed by us (including, without limitation, certificates, agreements and representations by the Authority and Masonic Villages as to the expected use of the proceeds of the 2017 Bonds and as to continuing compliance with Section 148 of the Code to assure that the

2017 Bonds do not become “arbitrage bonds” and to assure that the 2017 Bonds continue to be “qualified 501(c)(3) bonds” within the meaning of Section 145 of the Code), without undertaking to verify the same by independent investigation. We have also relied upon the genuineness, authenticity, truthfulness and completeness of all facts, information, representations, and certifications contained in the agreements, certificates, documents, records and other instruments executed and delivered at or in connection with the closing held this day and have assumed compliance with the state and federal securities laws. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed and delivered at the closing held this day.

C. In providing the opinions set forth in paragraphs 2 and 3 above, we have relied, without independent investigation, on the opinion of McNees Wallace & Nurick, LLC with respect to the matters stated therein.

D. In connection with the opinions set forth in paragraphs 2 and 3 above, we call to your attention that the legality, validity, binding nature and enforceability of the documents referred to therein may be limited by: (a) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; (b) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles generally affecting creditors’ rights or remedies; and (c) the effect of certain laws and judicial decisions limiting on constitutional or public policy grounds any provisions set forth in such documents purporting to waive rights of due process and legal procedure.

E. In providing the opinion set forth in paragraph 5 above, we have assumed continuing compliance by the Authority and Masonic Villages with requirements of the Code and the applicable regulations thereunder which must be met subsequent to the issuance of the 2017 Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. The Authority and Masonic Villages have covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the 2017 Bonds to be included in gross income retroactive to the date of issuance of such 2017 Bonds. We further advise you that we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2017 Bonds may affect the tax status of interest on the 2017 Bonds.

F. In providing the opinions set forth in paragraphs 6 and 7 above, we have assumed continuing compliance by the Authority and Masonic Villages with requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the 2017 Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the

2017 Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the 2017 Bonds.

G. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the 2017 Bonds, including, without limitation, the treatment for federal income tax purposes of the gain or loss, if any, upon the sale, redemption or other disposition of the 2017 Bonds subject to original issue discount and the effects, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

H. The 2017 Bonds are special limited obligations of the Authority, payable only out of amounts that may be held by or available to the Trustee under the Loan Agreement and the Indenture. The 2017 Bonds do not pledge the credit or taxing power of the County of Lancaster, Pennsylvania, the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

I. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property.

J. We have not been engaged to verify, nor have we independently verified, nor do we herein express any opinion to the registered owners of the 2017 Bonds with respect to, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement dated January __, 2017 (the "Preliminary Official Statement"), or in the Official Statement dated February __, 2017 (the "Official Statement") or with respect to any other materials used in connection with the offer and sale of the 2017 Bonds.

K. We express no opinion with respect to whether the Authority or Masonic Villages, in connection with the sale of the 2017 Bonds or the preparation of the Preliminary Official Statement or the Official Statement has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, not misleading. Further, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any 2017 Bond.

STEVENS & LEE, P.C.

APPENDIX E

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of February 1, 2017, by and among Masonic Villages of the Grand Lodge of Pennsylvania ("Masonic Villages"), The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee), and as Digital Assurance Certification, LLC, Dissemination Agent hereunder (in such capacity, and together with any successor Dissemination Agent hereunder, the "Dissemination Agent").

WITNESSETH:

WHEREAS, the Lancaster County Hospital Authority (the "Issuer") is issuing for and on behalf of Masonic Villages its $__________ Health Center Revenue Bonds, Series of 2017 (the "Bonds") pursuant to a Bond Purchase Agreement dated ____________, 2017 by and among Masonic Villages, the Issuer and Wells Fargo Securities, for itself and on behalf of PNC Capital Markets, LLC and BB&T Capital Markets (collectively, the "Underwriters"); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, Masonic Villages currently is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriters to comply with the requirements of the Rule, Masonic Villages, as such obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, Masonic Villages, intending to be legally bound hereby, agrees as follows:

Section 1. Covenants of Masonic Villages. Masonic Villages covenants to comply with all requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

(a) So long as any of the Bonds are outstanding, Masonic Villages shall deliver to the Dissemination Agent in such format as is required by the Rule and the Municipal Securities Rulemaking Board ("MSRB"), and in sufficient time to allow the Dissemination Agent to file within 120 days after the end of each fiscal year of Masonic Villages (the "Filing Date"), commencing with the fiscal year ending December 31, 2016, the financial information and operating data specified in Schedule I hereto (the "Annual Report"):

(b) The Dissemination Agent shall promptly upon receipt thereof file the reports described in paragraph (a) with MSRB, through MSRB's Electronic Municipal Market Access System (www.emma.msrb.org) ("EMMA") or through alternate means as so provided by MSRB.

(c) If the Dissemination Agent has not received the Annual Report by 6:00 p.m. ET on the Filing Date for such report, Masonic Villages irrevocably directs the Dissemination Agent to immediately file a notice with MSRB, through EMMA or through alternate means as so provided by MSRB, of such failure.

(d) Masonic Villages shall, in a timely manner (but in no event later than the date necessary to enable the Dissemination Agent to file with MSRB, as hereinafter provided, within ten (10) business days after the occurrence of the event), deliver to the Dissemination Agent notice, in such format as is required by the Rule and MSRB, of any of the following events with respect to the Bonds (each a "Reportable Event"), and the Dissemination Agent shall, immediately upon receipt of Masonic Villages' notice, file with MSRB through EMMA (or through alternate means as so provided by MSRB) notice of the occurrence of any of such events:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of bond holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person.[1]

(xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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; and

(xiv) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee, if material.

(e) Masonic Villages agrees to provide information required in subsection (a) or (d) above for all persons who are determined by it to be "Obligated Persons" under the Rule.

(f) Masonic Villages agrees that the provisions of this Section 1 shall be for the benefit of the holders and beneficial owners of the Bonds, and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Dissemination Agent on their behalf, in accordance with the provisions of Section 4 herein.

Section 2. Duties of Dissemination Agent.

(a) The Dissemination Agent shall retain copies, which may be in electronic or digital format, of all annual information and notices of Reportable Events provided by Masonic Villages hereunder until all of the Bonds have been fully paid.

(b) The Trustee and the Dissemination Agent shall have no responsibility or liability in connection with Masonic Village's filing obligations under this Disclosure Agreement. The Trustee and the Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no other duties shall be implied. Masonic Villages agrees to indemnify and save the Trustee, the Dissemination Agent, its officers, directors, employees and agents (collectively, the "Indemnitees"), from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket expenses, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent and the Trustee is authorized to rely pursuant to the terms of this

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[1] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, Masonic Villages also covenants and agrees to indemnify and save the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's or the Dissemination Agent's performance under this Disclosure Agreement provided neither the Trustee nor the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. The provisions of this Section 2(b) shall survive the termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent or the Trustee for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Trustee or the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee or the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(c) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Dissemination Agent a Reportable Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

Section 3. Termination of Reporting Obligations. Masonic Village's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If Masonic Village's obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were Masonic Villages', and Masonic Villages shall have no further responsibility hereunder, except as provided in Section 7 hereof. In addition, Masonic Village's obligation to provide information and notices as specified in Section 1 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination by a court of competent jurisdiction that the Rule is invalid or unenforceable.

Section 4. Dissemination Agent. Masonic Villages may from time to time replace, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Masonic Villages hereby appoints Digital Assurance Certification, LLC as the initial Dissemination Agent. If at any time there is no

Dissemination Agent, Masonic Villages shall nonetheless be obligated to carry out its obligations under Section 1 hereof.

Section 5. Amendment. Masonic Villages, the Trustee and the Dissemination Agent may amend this Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of Masonic Villages or the operations conducted by Masonic Villages or a change in the identity, nature or status of the Trustee, (ii) this Disclosure Agreement, as modified by the amendment or waiver complies with the requirements of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the registered Owners of the Bonds. Prior to executing any requested amendment, Masonic Villages shall provide an opinion of counsel knowledgeable in federal securities laws to the effect that the proposed amendment satisfies the requirements described above. Notice of any amendment or waiver containing an explanation of the reasons therefore shall be given by Masonic Villages to the Trustee and the Dissemination Agent upon execution of the amendment of or waiver, and the Dissemination Agent shall promptly file such notice with the MSRB. Such notification may be done through EMMA. The Trustee shall also send notice of the amendment or waiver to each owner who has filed their name and address with the Trustee under Section 9 hereof for the purpose of receiving such notices.

Section 6. Remedies for Default. In the event of a breach or default by Masonic Villages of its covenants to provide annual financial information and notices as provided in Section 1 hereof, the Trustee, the Dissemination Agent, the Underwriters, or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by Masonic Villages. A breach or default under this Disclosure Agreement shall not constitute an event of default under the Bonds or any other agreement. The Trustee and the Dissemination Agent shall be under no obligation to enforce this Disclosure Agreement but may do so and may require that it be furnished with indemnity and security for expenses satisfactory to it.

Section 7. Electronic Filing Authorized. All filings with MSRB pursuant to this agreement; (a) shall be made in an electronic format as prescribed by MSRB; and (b) shall be accompanied by identifying information as prescribed by MSRB. Reference is made to Commission Release No. 34-59062, dated December 8, 2008 (the "Release"), relating to EMMA. To the extent applicable to its obligations pursuant to this Agreement, Masonic Villages shall comply with the Release and with EMMA. Unless and until otherwise prescribed by MSRB, all documents provided to MSRB in compliance with this Agreement shall be submitted through EMMA in the format prescribed by MSRB.

Section 8. Indemnification of the Issuer. The Issuer shall have no responsibility or liability for Masonic Village's compliance with this Disclosure Agreement, or in connection with Masonic Village's obligations under this Disclosure Agreement or for the compliance of this Disclosure Agreement or the contents of the annual financial or other information filed or notices provided in accordance with Section 1 hereof with the requirements of the Rule. Masonic Villages agrees to indemnify and save the Issuer, its members, officers, employees and agents, harmless against any claim, loss, expense (including reasonable attorneys' fees and expenses) or liability arising from or based upon (i) any breach by Masonic Villages of this Disclosure Agreement or (ii) any information or notices provided under this Disclosure Agreement or any omission therefrom.

Section 9. Miscellaneous.

(a) Binding Nature of Undertaking. This Disclosure Agreement shall be binding upon and inure to the benefit of the Underwriters, and their respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 9 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Agreement, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the Trustee for the purposes of receiving notices or giving direction under this Disclosure Agreement.

(b) Notices. Except with respect to the electronic submission of information to MSRB through EMMA, as permitted by this Disclosure Agreement, all notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Dissemination Agent:

Digital Assurance Certification, LLC
390 N. Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Client Services

(ii) If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
525 William Penn Place, 38th Floor
Pittsburgh, PA 15259

(iii) If to Masonic Villages:

Masonic Villages of the Grand Lodge of Pennsylvania
One Masonic Drive
Elizabethtown, PA 17022
Attention: Chief Executive Officer

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) Controlling Law. This Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

(d) Successor and Assigns. Notwithstanding anything herein to the contrary, any successor trustee under the Indenture (as defined in the Official Statement) shall automatically succeed to the rights of the Trustee under this Disclosure Agreement. Any successor Dissemination Agent shall automatically succeed to the rights of the Dissemination Agent under this Disclosure Agreement.

(e) Execution in Counterparts. This Disclosure Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Disclosure Agreement shall become binding when one or more counterparts hereof individually or taken together shall bear the signatures of all of the parties reflected hereon as the signatories.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement of the date first above written.

MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA

By: ______________________________

Title: ______________________________

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., not in its individual capacity but as Trustee

By: ______________________________

Authorized Signatory

DIGITAL ASSURANCE CERTIFICATION, LLC, as Dissemination Agent

By: ______________________________

Schedule 1

Annual Financial Information

Masonic Villages will provide (a) a copy of the annual financial statements of Masonic Villages, prepared in accordance with generally accepted accounting principles and audited by a certified public accountant; provided that if audited annual financial statements are not available within 120 days after the end of the Fiscal Year, unaudited financial information will be provided, and audited annual financial statements will be submitted to the MSRB when and if available; (b) a calculation of the Rate Covenant as defined in the Loan Agreement; and (c) an update of the financial information and operating data relating to it in Appendix A of the Official Statement for the Bonds dated as of February __, 2017 under the following headings and subheadings (terms used herein having the same meanings set forth in such Official Statement), to the extent such information or data is not otherwise included in the Annual Financial Information, accompanied by such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning Masonic Villages:

1. “Occupancy” on pp. A-23.

2. “Payor Mix” on pp. A-26.

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