

In the opinion Drinker Biddle & Reath LLP, Bond Counsel, under existing laws as currently enacted and construed, interest on the Series A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and is not a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Series A Bonds will be included in "adjusted current earnings" for purposes of computing alternative minimum taxable income with respect to certain corporations. Such opinion of Bond Counsel with respect to the Series A Bonds is subject to continuing compliance by the Authority and the Borrowers with certain tax covenants contained in Bond Indenture and the Loan Agreement, as applicable. Interest paid on the Series B Bonds is fully taxable for Federal income tax purposes. Bond Counsel is of the further opinion that the Bonds of each series are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds. For a more complete description of the opinion of Bond Counsel with respect to such matters and of certain federal and state tax consequences of ownership of the Bonds, see "CERTAIN TAX MATTERS" herein.

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT



\$95,185,000

Senior Living Facilities Revenue Bonds
(Wesley Enhanced Living Obligated Group)
Series 2017A (Tax Exempt)

\$29,560,000

Senior Living Facilities Revenue Bonds
(Wesley Enhanced Living Obligated Group)
Series 2017B (Federally Taxable)

Dated: August 1, 2017

Due: July 1, as shown on the inside front cover

The Philadelphia Authority for Industrial Development, a public body corporate and politic and a public instrumentality of the Commonwealth of Pennsylvania (the "Authority"), proposes to issue \$95,185,000 in aggregate principal amount of its Senior Living Facilities Revenue Bonds (Wesley Enhanced Living Obligated Group), Series 2017A (Tax-Exempt) (the "Series A Bonds"), and \$29,560,000 in aggregate principal amount of its Senior Living Facilities Revenue Bonds (Wesley Enhanced Living Obligated Group), Series 2017B (Federally Taxable) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") for the benefit of the Borrowers (as defined herein).

The Bonds of each series will be issued pursuant to, and will be equally and ratably secured by, a Trust Indenture dated as of August 1, 2017 (the "Bond Indenture"), between the Authority and UMB Bank, N.A. as trustee (in such capacity, the "Bond Trustee"). The principal and redemption price of, and the interest on, the Bonds of each series will be payable from amounts payable under a Loan Agreement among the Authority and Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley) and Martins Run (d/b/a Wesley Enhanced Living Main Line), each a Pennsylvania nonprofit corporation (collectively, the "Borrowers") and a controlled affiliate of Evangelical Services for the Aging (d/b/a Wesley Enhanced Living), a Pennsylvania nonprofit corporation ("Wesley" or the "Obligated Group Agent"). The payment obligations of the Borrowers under the Loan Agreement will be evidenced and secured by promissory notes (collectively, the "Series 2017 Master Notes") issued in respect of the Bonds of each series under a Master Trust Indenture dated as of August 1, 2017 (the "Master Indenture"), by and among the Borrowers, Wesley, Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) and Martins Run Home Partners (each, a "Member of the Obligated Group" and collectively, the "Members of the Obligated Group" or the "Obligated Group"), as the Members of the Obligated Group thereunder, and UMB Bank, N.A. as master trustee (in such capacity, the "Master Trustee"). Each Series 2017 Master Note constitutes the joint and several obligation of the Members of the Obligated Group and each other Person (if any) that may become a Member of the Obligated Group under the Master Indenture, and will be secured under the Master Indenture, equally and ratably with all other Obligations of the Obligated Group issued thereunder, by (a) a pledge and assignment to the Master Trustee of the Pledged Revenues of each Member of the Obligated Group, and (b) Mortgages on Existing Facilities. The Obligated Group may issue additional Master Notes upon satisfaction of the conditions set forth in the Master Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - The Master Indenture" herein. The Bonds will be further secured by moneys and investments in certain special funds, which include Debt Service Reserve Funds.

The Bonds are issued as fully registered bonds without coupons and are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Bonds, disbursements of such payments to DTC is the responsibility of the Bond Trustee, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

The purchase of the Bonds involves certain risks. See "BONDHOLDERS' RISKS" herein.

The Bonds will be subject to optional redemption, extraordinary redemption, mandatory sinking fund redemption and purchase in lieu of redemption prior to maturity as described herein. See "THE BONDS - Redemption" herein.

The Bonds of each series will mature on July 1 and bear interest at the rates shown on the inside front cover page hereof. Interest on the Bonds of each series will be payable on January 1 and July 1 of each year, commencing January 1, 2018 ("Interest Payment Dates").

The Bonds are limited obligations of the Authority payable solely from the funds pledged for the payments thereof under the Bond Indenture, including amounts payable by the Borrowers under the Loan Agreement as described herein. The Bonds shall not be in any way a debt or liability of the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania including, without limitation, the City of Philadelphia, and shall not create or constitute any indebtedness, liability or obligation, moral or otherwise, of the Commonwealth of Pennsylvania or of any other political subdivision of the Commonwealth of Pennsylvania, including the City of Philadelphia. Neither the general credit of the Authority nor the general credit or taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof, including the City of Philadelphia, is pledged to the payment of the principal of the Bonds, or the interest or any premium thereon or other costs incident thereto. The Authority has no taxing power.

INVESTMENT IN THE BONDS IS HIGHLY SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. THERE IS NO PUBLIC MARKET FOR THE BONDS. THE BONDS ARE INTENDED ONLY FOR PURCHASE BY SOPHISTICATED INVESTORS CAPABLE OF BEARING THE ECONOMIC RISKS OF THE PURCHASE OF THE BONDS AND HAVING SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ADVISED TO READ "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" AND "BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to legality of the Bonds by Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania, as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, New York, New York, for the Borrowers and the Obligated Group by Saul Ewing LLP, Philadelphia, Pennsylvania, and for the Authority by Philip M. Brandt, Esq., Authority Counsel, Philadelphia, Pennsylvania. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about August 15, 2017, against payment therefor.



RBC Capital Markets

**Philadelphia Authority for Industrial Development
Senior Living Facilities Revenue Bonds
(Wesley Enhanced Living Obligated Group)**

Maturities, Amounts, Interest Rates, Prices, Yields and CUSIP Numbers

\$95,185,000 Tax-Exempt Series 2017A Bonds

\$4,640,000 Serial Bonds

<u>Year</u> <u>(July 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2031	\$1,305,000	5.000%	105.169	4.350%*	717824AN6
2032	3,335,000	5.000	104.596	4.420*	717824AV8

\$90,545,000 Term Bonds

\$19,365,000 5.000% Term Bond Due July 1, 2037, Price 103.061, Yield 4.610%*, CUSIP 717824AP1
 \$24,705,000 5.000% Term Bond Due July 1, 2042, Price 102.264, Yield 4.710%*, CUSIP 717824AQ9
 \$46,475,000 5.000% Term Bond Due July 1, 2049, Price 101.395, Yield 4.820%*, CUSIP 717824AR7

(Plus accrued interest from August 1, 2017)

*Denotes yield calculated to July 1, 2027 call date.

\$29,560,000 Federally Taxable Series 2017B Bonds

\$8,260,000 5.250% Term Bond Due July 1, 2022, Price 100.000, Yield 5.250%, CUSIP 717824AS5
 \$11,070,000 6.000% Term Bond Due July 1, 2027, Price 100.000, Yield 6.000%, CUSIP 717824AT3
 \$10,230,000 6.250% Term Bond Due July 1, 2031, Price 98.850, Yield 6.375%, CUSIP 717824AU0

(Plus accrued interest from August 1, 2017)



WEL Pennypack Park Main Entrance



WEL Pennypack Park Bistro



WEL Doylestown Main Entrance



WEL Doylestown 9th Floor



WEL Upper Moreland Cottage



WEL Upper Moreland Bedroom



WEL Stapeley Main Entrance



WEL Stapeley Parlor



WEL Main Line Main Entrance



WEL Main Line Pool

[THIS PAGE INTENTIONALLY LEFT BLANK]

REGARDING THIS OFFICIAL STATEMENT

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

Upon issuance, the Bonds will not be registered by the Authority under the Securities Act of 1933, as amended, or any state securities laws, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement. This Official Statement includes the cover pages and the appendices hereto.

This Official Statement does not constitute an offering of any securities other than the original offering of the Bonds identified on the cover hereof. No dealer, broker, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering described herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Obligated Group or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer or sale of such securities would be unlawful. Neither the delivery of this Official Statement nor the sale of the Bonds implies that information herein is correct as of anytime subsequent to the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

CUSIP numbers on the cover page of this Official Statement are subject to a copyright of the American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and none of the Authority, the Underwriter or the Obligated Group takes any responsibility for the accuracy thereof. Such CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Obligated Group since the date hereof.

In connection with the issuance and delivery of the Bonds and with the financing discussions, undertakings, and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as an underwriter and is not acting as the agent or fiduciary of or in any way advising the Obligated Group or the Authority, and the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Obligated Group or the Authority with respect to the financing and refinancing contemplated hereby or the discussions, undertakings, and procedures leading thereto.

**Cautionary Statements Regarding Forward-Looking Statements
in this Official Statement**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or similar words. Such forward-looking statements include, among others, those included in APPENDIX C – “FINANCIAL FEASIBILITY STUDY.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE BORROWERS, NOR ANY CURRENT OR FUTURE MEMBERS OF THE OBLIGATED GROUP PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

TABLE OF CONTENTS

	Page
INTRODUCTION AND SHORT STATEMENT	1
THE AUTHORITY	7
THE OBLIGATED GROUP	9
THE BONDS	10
SECURITY AND SOURCE OF PAYMENT FOR THE BONDS	17
PURPOSE OF THE BONDS AND PLAN OF FINANCING.....	22
ESTIMATED SOURCES AND USES OF PROCEEDS	23
DEBT SERVICE SCHEDULE.....	24
BONDHOLDERS' RISKS	25
CERTAIN TAX MATTERS	46
ABSENCE OF LITIGATION AFFECTING THE BONDS	50
LEGAL MATTERS.....	50
FEASIBILITY CONSULTANTS	51
INDEPENDENT ACCOUNTANTS	51
UNDERWRITING	51
CONTINUING DISCLOSURE.....	52
RATING	52
MISCELLANEOUS	53
APPENDIX A - DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP	A-1
APPENDIX B - CONSOLIDATED FINANCIAL STATEMENTS	B-1
APPENDIX C - FINANCIAL FEASIBILITY STUDY.....	C-1
APPENDIX D - SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT	D-1
APPENDIX E - SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES	E-1
APPENDIX F - FORM OF OPINION OF BOND COUNSEL	F-1
APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT	G-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

Philadelphia Authority for Industrial Development

\$95,185,000

**Senior Living Facilities Revenue Bonds
(Wesley Enhanced Living Obligated Group)
Series 2017A (Tax Exempt)**

\$29,560,000

**Senior Living Facilities Revenue Bonds
(Wesley Enhanced Living Obligated Group)
Series 2017B (Federally Taxable)**

INTRODUCTION AND SHORT STATEMENT

This Official Statement, including the cover page and the appendices, is provided to furnish information regarding the offering by the Philadelphia Authority for Industrial Development (the “Authority”) of the above-referenced Series 2017A Bonds (the “Series A Bonds”) and Series 2017B Bonds (the “Series B Bonds” and, collectively with the Series A Bonds, the “Bonds”).

This Introduction and Short Statement is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement, including the appendices. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

All capitalized terms not defined herein shall have the meanings set forth in the Master Indenture (defined below), Bond Indenture (defined below) and Loan Agreement (defined below) as summarized in Appendices D and E. See APPENDIX D – “SUMMARY OF THE PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT” and APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES.”

The Bonds of each series are being issued pursuant to, and are equally and ratably secured by, a Trust Indenture dated as of August 1, 2017 (the “Bond Indenture”), between the Authority and UMB Bank, N.A., as trustee (in such capacity, the “Bond Trustee”). The principal and Redemption Price of, and the interest on, the Bonds of each series will be payable from amounts payable under a Loan Agreement (the “Loan Agreement”), among the Authority and Maple Village (d/b/a Wesley Enhanced Living Upper Moreland) (“WEL Upper Moreland”), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown) (“WEL Doylestown”), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park) (“WEL Pennypack Park”), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley) (“WEL Stapeley”) and Martins Run (d/b/a Wesley Enhanced Living Main Line) (“WEL Main Line,” each a Pennsylvania nonprofit corporation (collectively, the “Borrowers”) and a controlled affiliate of Evangelical Services for the Aging (d/b/a Wesley Enhanced Living), a Pennsylvania nonprofit corporation (“Wesley” or the “Obligated Group Agent”). The payment obligations of the Borrowers under the Loan Agreement are evidenced and secured by promissory notes (collectively, the “Series 2017 Master Notes”) issued in respect of the Bonds of each series under a Master Trust Indenture dated as of August 1, 2017 (the “Master Indenture”), by and among the Borrowers, Wesley, Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) (the “Foundation”) and Martins Run Home Partners (“Home Partners”) (each, a “Member of the Obligated Group” and collectively, the “Members of the Obligated Group” or the “Obligated Group”), as the Members of the Obligated Group thereunder, and UMB Bank, N.A., as master trustee (in such capacity, the “Master Trustee”). Each Series 2017 Master Note constitutes the joint and several obligation of the Members of the Obligated Group and each other Person (if any) that may become a Member of the Obligated Group (as defined herein) under the Master Indenture, and will be secured under the Master Indenture, equally and ratably with all other

Obligations of the Obligated Group issued thereunder, by, among other things, a pledge and assignment to the Master Trustee of the Pledged Revenues of each Member of the Obligated Group and Mortgages on Existing Facilities, as further described herein. See “SECURITY AND SOURCE OF PAYMENTS FOR THE BONDS” herein.

The Bonds will be dated August 1, 2017, will mature and bear interest at the rates per annum set forth on the inside cover of this Official Statement and will have such additional terms and provisions as hereinafter described and as set forth in the Bond Indenture. Interest on the Bonds of each series will be payable on January 1 and July 1 of each year, commencing January 1, 2018.

The Authority

The Authority is a public body corporate and politic organized and existing under and governed by the Pennsylvania Economic Development Financing Law (Act of August 23, 1967, P.L. 251, codified at 73 P.S. § 371 et seq., as amended) (the “Act”). The Authority is a public instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”) created by the City of Philadelphia (the “City”) pursuant to the Act for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, financing and leasing, either in the capacity of lessor or lessee, industrial, commercial or specialized development projects, all as permitted under the Act.

The Obligated Group

Evangelical Services for the Aging (d/b/a Wesley Enhanced Living) (“Wesley”) is a nonprofit corporation organized under the laws of the Commonwealth and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), which is exempt from taxation under Section 501(a) of the Code. Through the Borrowers, Wesley operates certain continuing care retirement communities within the City of Philadelphia and in Bucks, Delaware and Montgomery Counties, Pennsylvania (collectively, the “Communities”). A description of the Obligated Group, the Communities and their operations and certain summary financial information is contained in APPENDIX A - “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP.” Such description should be read in conjunction with the consolidated financial statements included as APPENDIX B.

Plan of Finance

Proceeds of the Bonds, together with other available funds, will be used to: (a) refund the following series of outstanding revenue bonds (collectively, the “Refunded Bonds”): (i) the Revenue Refunding Bonds (Stapeley in Germantown Project), Series 2005A, B, and C, issued by the Authority in the original aggregate principal amount of \$13,640,000; (ii) the Variable Rate Demand Revenue Bonds (Evangelical Manor Project), Series 2008, issued by the Authority in the original aggregate principal amount of \$20,000,000; (iii) the Revenue Bonds (Stapeley Hall -- Wesley Enhanced Living Obligated Group), Series 2011, issued by the Authority in the original aggregate principal amount of \$9,815,000; (iv) the Retirement Communities Variable Rate Demand Revenue Bonds (Wesley Enhanced Living Obligated Group), Series 2005A and Series 2005B, issued by The Borough of Langhorne Manor Higher Education and Health Authority in the original aggregate principal amount of \$36,420,000; and (v) the Economic Development Revenue Note (Martins Run Project, Series of 2009), issued by the Delaware County Industrial Development Authority in the original aggregate principal amount of \$7,000,000; (b) refinance a term loan issued by a commercial bank for the benefit of Stapeley Hall in 2011 in the original principal amount of \$8,710,000 (the “2011 Stapeley Term Loan”); (c) finance capital projects of the Borrowers consisting of renovations and upgrades to existing independent living and personal care units, existing health care facilities and common areas, the acquisition of new plant equipment and furnishings,

and other facility enhancements of the Communities; (d) fund certain resident refunds, accounts payable, an interest rate swap termination payment and other working capital obligations of the Borrowers; (e) fund Debt Service Reserve Funds for the Bonds as further described herein; and (f) pay some or all of the costs of issuance of the Bonds.

Security for the Bonds

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE BORROWERS OR THE OBLIGATED GROUP UNDER THE LOAN AGREEMENT AND THE SERIES 2017 MASTER NOTES AND FROM THE FUNDS HELD BY THE BOND TRUSTEE UNDER THE BOND INDENTURE. THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF PENNSYLVANIA INCLUDING, WITHOUT LIMITATION, THE CITY OF PHILADELPHIA, AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF PENNSYLVANIA, MORAL OR OTHERWISE. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF THE BONDS, OR THE INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The Borrowers will pay the principal and Redemption Price of, and the interest on, the Bonds of each series pursuant to the Loan Agreement.

The payment obligations of the Borrowers under the Loan Agreement with respect to the Bonds will be further evidenced and secured by the Series 2017 Master Notes to be issued under the Master Indenture. The Series 2017 Master Notes and other Notes issued pursuant to the Master Indenture (collectively, the “Master Notes”) will be secured by Open-End Mortgage and Security Agreements (the “Mortgages”), each dated August 1, 2017 from the Borrowers to the Master Trustee pursuant to which the Borrowers will grant to the Master Trustee mortgages on the current operating facilities of the Borrowers. To further secure their obligations under the Master Indenture, each Member of the Obligated Group will also grant to the Master Trustee a security interest in its Pledged Revenues, as further described in the Master Indenture. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture” herein.

The Bonds will be further secured, in part, by the moneys and investments in certain special funds, including the Debt Service Reserve Funds, established for the benefit and security of the Series A Bonds and the Series B Bonds, respectively, under the Bond Indenture. At the time the Bonds are issued, an amount equal to the applicable Reserve Fund Requirement for each Debt Service Reserve Fund will be deposited in such Debt Service Reserve Fund from proceeds of the Bonds. See APPENDIX D – “SUMMARY OF THE PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT – THE BOND INDENTURE – Debt Service Reserve Funds.”

The Master Indenture

The Master Indenture contains several covenants applicable to the Obligated Group. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES.” Among the covenants are the following:

Rate Covenant. Beginning with the measuring period ending June 30, 2018, the Master Indenture requires the Obligated Group to maintain a Historical Debt Service Coverage Ratio, calculated at the end of each Fiscal Quarter but tested semiannually, defined generally as the quotient obtained by dividing the Net Revenues Available for Debt Service by the Maximum Annual Debt Service Requirement, of at least 1.20. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture – Rate Covenant” herein and APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Rate Covenant” for a further description of the Historical Debt Service Coverage Ratio Covenant, including a description of the actions required to be taken if such covenant is not met.

Liquidity Covenant. Beginning with the measuring period ending June 30, 2018, the Master Indenture requires the Obligated Group to maintain Days’ Cash on Hand, calculated at the end of each Fiscal Quarter but tested semiannually, defined generally as the number produced for any period by dividing of (i) the amount of Unrestricted Cash and Investments of the Obligated Group as of the last day of such period, by (b) the quotient obtained by dividing Total Expenses (including interest on Long Term Indebtedness unless funded by such Long Term Indebtedness) during such period by the number of days in such period, of at least 120 days. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture – Liquidity Covenant” herein and APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Liquidity Covenant” for a further description of the Liquidity Covenant, including a description of the actions required to be taken if such covenant is not met.

Additional Indebtedness Covenant. The Master Indenture permits the incurrence of Additional Indebtedness for a variety of purposes, including Long-Term Indebtedness equally and ratably secured by Notes issued pursuant to the Master Indenture on a parity with the Series 2017 Master Notes issued in connection with the Bonds under certain conditions and subject to certain financial tests and other requirements. The Master Indenture also permits the incurrence of Short-Term Indebtedness in an amount up to fifteen percent (15%) of Total Revenues for the preceding twelve months for which audited financial statements have been completed, provided, however, for a period of not less than 20 consecutive days within each Fiscal Year, the Obligated Group is required to reduce the aggregate principal amount of all outstanding Short-Term Indebtedness to less than 5% of the Total Revenues of the Obligated Group for the most recently completed Fiscal Year. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness” and “– Short Term Indebtedness” for a further description of the conditions and financial tests applicable to the incurrence of Additional Indebtedness.

Transfer Test Covenant. The Obligated Group is generally prohibited from transferring Property outside the Obligated Group except under certain specified conditions. Among the conditions permitting such transfer is that the aggregate Value of the Property transferred in any Fiscal Year not exceed 1% to 7.5% (dependent on Days’ Cash on Hand) of cash and investments and Property, Plant and Equipment of the Obligated Group, as shown on the most recent audited financial statements of the Obligated Group. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Sale, Lease or Other Disposition of Assets” for a further description of the conditions and financial tests applicable to the Transfer of Property.

Financial Feasibility Study

Management's financial forecast, included as part of the Financial Feasibility Study included in Appendix C hereto, has been examined by Dixon Hughes Goodman LLP, independent certified public

accountants, as stated in their report appearing in Appendix C. Such report, together with such Financial Feasibility Study, is referred to herein as the “Financial Feasibility Study.” **As stated in management's financial forecast, there will usually be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.** Please see the Financial Feasibility Study included herein as Appendix C, which should be read in its entirety, including management's notes and assumptions set forth therein.

The table below reflects the forecasted funds available for debt service and other financial ratios for the five fiscal years ending December 31, 2017 through 2021, inclusive, and has been extracted from management's financial forecast included in the Financial Feasibility Study. For purposes of calculating debt service requirements in the table below: (i) the Series A Bonds are assumed to (a) be issued as fixed rate bonds, in the aggregate principal amount of \$100,295,000 plus an original issue premium; (b) have a final maturity of July 1, 2049, and (c) bear interest at an assumed rate of 5.10%; and (ii) the Series B Bonds are assumed to (a) be issued as fixed rate bonds, in the aggregate principal amount of \$26,320,000, plus an original issue premium, (b) have a final maturity of July 1, 2030, and (c) bear interest at assumed rates ranging from of 5.50% to 6.50%. See APPENDIX C – “FINANCIAL FEASIBILITY STUDY – Summary of Significant Forecast Assumptions and Accounting Policies.”

Forecasted Schedule of Financial Ratios (dollars in thousands)

Debt Service Coverage Ratio	2017	2018	2019	2020	2021
Change in Unrestricted Net Assets	\$ (3,530)	\$ (1,977)	\$ (3,088)	\$ (2,710)	\$ (1,463)
Less:					
Amortization of deferred entrance fees	(8,082)	(8,405)	(8,821)	(9,279)	(9,791)
Refunds of entrance fees	(2,799)	(2,705)	(2,493)	(2,372)	(2,084)
Add:					
Depreciation	4,679	4,903	5,490	5,628	5,750
Amortization of intangible assets	1,082	1,082	1,082	1,082	305
Loss on early extinguishment of debt	3,145	-	-	-	-
Change in fair value of interest rate swap agreements	(201)	-	-	-	-
Interest and financing expense ^(a)	3,951	5,817	6,775	6,687	6,593
Proceeds received from entrance fees	11,617	12,323	12,006	11,757	11,857
Release of Refund Reserve Fund	2,559	1,709	2,057	2,207	2,103
Funds available for debt service	\$ 12,421	\$ 12,747	\$ 13,008	\$ 13,000	\$ 13,270
Maximum annual debt service ^(b)	\$ 8,267	\$ 8,267	\$ 8,267	\$ 8,267	\$ 8,267
Maximum annual debt service coverage ratio	1.50 x	1.54 x	1.57 x	1.57 x	1.61 x

Days Cash on Hand	2017	2018	2019	2020	2021
Cash and cash equivalents	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589	\$ 7,743
Unrestricted investments	21,499	24,293	28,860	33,423	38,261
Statutory liquid reserves	4,937	5,117	5,160	5,203	5,243
Refund Reserve Fund	10,041	8,332	6,275	4,068	1,965
Cash on hand	\$ 43,616	\$ 45,032	\$ 47,733	\$ 50,283	\$ 53,212
Total expenses	\$ 68,880	\$ 72,221	\$ 74,997	\$ 76,297	\$ 76,828
Less:					
Depreciation	(4,679)	(4,903)	(5,490)	(5,628)	(5,750)
Amortization of deferred financing fees	(344)	(134)	(134)	(134)	(134)
Amortization of intangible assets	(1,082)	(1,082)	(1,082)	(1,082)	(305)
Total expenses, less depreciation and amortization	\$ 62,775	\$ 66,102	\$ 68,291	\$ 69,453	\$ 70,639
Daily operating expenses ^(c)	172	181	187	190	194
Days cash on hand	254	249	255	265	274

Cash to Debt Ratio	2017	2018	2019	2020	2021
Cash and cash equivalents	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589	\$ 7,743
Unrestricted investments	21,499	24,293	28,860	33,423	38,261
Statutory liquid reserves	4,937	5,117	5,160	5,203	5,243
Refund Reserve Fund	10,041	8,332	6,275	4,068	1,965
Current portion of assets limited as to use - Bond Fund	1,829	4,127	4,127	4,129	4,126
Debt Service Reserve Fund - Series 2017 Bonds	8,267	8,267	8,267	8,267	8,267
Cash available for debt service	\$ 53,712	\$ 57,426	\$ 60,127	\$ 62,679	\$ 65,605
Long-term indebtedness outstanding ^(d)	\$ 126,615	\$ 125,485	\$ 123,915	\$ 122,260	\$ 120,510
Cash to debt ratio	0.42 x	0.46 x	0.49 x	0.51 x	0.54 x

(a) Interest expense includes amortization of deferred financing fees.

(b) The Maximum Annual Debt Service is equal to the greatest debt service requirement in the then current or any future fiscal year.

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

(d) Long-term indebtedness outstanding includes the Series 2017 Bonds

Tax Compliance

The Borrowers and the Authority will enter into a Tax Compliance Agreement, dated as of the date of issuance of the Bonds (the “Tax Compliance Agreement”), pursuant to which they will make certain representations and undertake certain agreements and covenants necessary to maintaining the exclusion of the interest on the Series A Bonds from the gross income of the holders thereof for federal income tax purposes.

Certain Bondholders’ Risks

INVESTMENT IN THE BONDS IS HIGHLY SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. THERE IS NO PUBLIC MARKET FOR THE BONDS. THE BONDS ARE INTENDED ONLY FOR PURCHASE BY SOPHISTICATED INVESTORS CAPABLE OF BEARING THE ECONOMIC RISKS OF THE PURCHASE OF THE BONDS AND HAVING SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ADVISED TO READ “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” AND “BONDHOLDERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS. Additionally, the availability of a secondary market for the Bonds is dependent upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the Obligated Group.

Defined Terms

All capitalized terms used in this Official Statement, unless otherwise defined or unless the context otherwise indicates, have the same meanings as in the Master Indenture, the Bond Indenture and the Loan Agreement. Certain of these definitions are summarized, with respect to the Bond Indenture and the Loan Agreement, in APPENDIX D – “SUMMARY OF THE PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT” and with respect to the Master Indenture, in APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES.”

Appendices and Underlying Documents

Descriptions of certain provisions of the Bonds, the Master Indenture, the Bond Indenture, the Loan Agreement and the Mortgages follow in this Official Statement and in Appendices D and E hereto. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such document. Copies of all such documents are available upon request to the Bond Trustee or the Underwriter.

THE AUTHORITY

The Authority is a public body corporate and politic organized and existing under and governed by the Act. The Authority is a public instrumentality of the Commonwealth created by the City pursuant to the Act for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, financing and leasing, either in the capacity of lessor or lessee, industrial, commercial or specialized development projects, all as permitted under the Act. A Certificate of Incorporation was issued to the Authority by the Secretary of the Commonwealth on December 27, 1967. A Certificate of Amendment

evidencing the amendment of the Authority's Articles of Incorporation, extending the terms of existence of the Authority, was issued on September 21, 2011. The Authority's existence will continue for 50 years from September 21, 2011.

Board of the Authority

The governing body of the Authority is a board consisting of up to five members appointed by the Mayor of the City. Members of the Authority's board serve at the pleasure of the Mayor. The following persons are the present members of the board and certain of the officers of the Authority.

<u>Name</u>	<u>Position</u>
Evelyn F. Smalls	Chairperson
Thomas A.K. Queenan	Treasurer
David L. Hyman, Esquire	Secretary
Dennis J. Pagliotti	Member
Joseph Mee*	Assistant Secretary
Anthony Simonetta*	Assistant Treasurer
*Non-Member	

Financing Program of the Authority

The Authority has a number of special obligation bond and note issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed, from special funds established therefore or from other financing arrangements, is separately secured, and is separate and independent from the Bonds as to sources of payment and security.

The Authority has experienced defaults with respect to certain obligations issued by it, by reason of nonpayment of debt service by the party receiving financing through the Authority. However, the Bonds are payable solely from the funds pledged under the Loan Agreement and any other obligations issued by the Authority are payable solely from the funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority would not constitute a default on the Bonds. The Authority may from time to time enter into further transactions with other entities in connection with projects unrelated to the project being financed by the Bonds. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security that are separate from the revenues and other security securing the Bonds.

At the time of delivery of the Bonds, the Authority will, among other things, confirm the assignment of all of its rights under the Loan Agreement to the Bond Trustee (subject to certain reserved rights).

Certain Other Activities

In addition to its financing activities and as part of its economic development activities for the City, the Authority owns and manages certain industrial and commercial parks in the City. The City transferred to the Authority legal title to certain vacant land available for development in several industrial parks. The Authority also holds legal title to substantially all of the land and buildings comprising the Philadelphia Naval Business Center, which represents the largest portion of the former Philadelphia Naval Shipyard previously owned and operated by the United States Department of Defense.

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT EXCEPT FOR THE INFORMATION RELATING TO THE

AUTHORITY UNDER THE HEADINGS “THE AUTHORITY” AND “ABSENCE OF LITIGATION AFFECTING THE BONDS – The Authority” AND, EXCEPT AS TO THOSE STATEMENTS, THE AUTHORITY IS NOT RESPONSIBLE FOR AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ANY STATEMENTS MADE HEREIN. ACCORDINGLY, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THIS OFFER, SALE AND DISTRIBUTION OF THE BONDS.

The Authority’s address is 1500 Market Street, Suite 2600 Centre Square West, Philadelphia, Pennsylvania 19102-2126.

THE OBLIGATED GROUP

Wesley was organized in 1989 to provide oversight and corporate services for its affiliated entities.

WEL Pennypack Park is Wesley’s flagship continuing care retirement community located in Northeast Philadelphia, constructed in 4 phases between 1930 and 1980 and improved in 2011. WEL Pennypack Park’s facilities include 72 independent living units, an assisted living unit health center with 39 beds and a skilled nursing unit with 120 beds.

Since 1985, WEL Doylestown has owned and operated a continuing care retirement community located in Doylestown, Pennsylvania. WEL Doylestown’s facilities include 219 independent living units ranging in size from studios to 2 bedroom apartments, 2 guest units, a 60-bed skilled nursing facility and various common areas, including dining areas, common rooms, a library, and wellness areas.

WEL Upper Moreland was incorporated in 1995 by Wesley to assume control of certain assets consisting of land and a building located in Hatboro, Pennsylvania. WEL Upper Moreland’s facilities include 150 independent living units, including 38 cottages and 112 apartments, an assisted living unit health center with 33 beds located in private rooms and various common areas, including dining areas, common rooms, a library, and wellness areas.

WEL Stapeley is located in the Germantown section of Northwest Philadelphia and sits on a campus that dates back to 1905, with additions added in the 1970s and 1980s and certain renovations completed in 2014. WEL Stapeley became affiliated with Wesley in 2010. WEL Stapeley’s facilities include 43 independent living units and an assisted living health center with 46 personal care beds, 21 memory care beds, and 120 skilled nursing beds..

Wesley became the sole member of WEL Main Line, located in Media, Pennsylvania, on March 1, 2015. WEL Main Line’s facilities include 163 independent living units, with an additional 30 personal care and 60 skilled nursing beds.

Home Partners is an operating organization that provides services to the residents of WEL Main Line.

The Foundation was incorporated in 1975 and engages in fundraising activities on behalf of Wesley and its affiliated organizations.

Each Member of the Obligated Group is a Pennsylvania non-profit corporation and has been determined to be exempt from federal income taxation under Section 501(c)(3) of the Code pursuant to

the group exemption letter issued by the Internal Revenue Service to Wesley with respect to Wesley and its subordinate organizations. See APPENDIX A – “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP” and APPENDIX B – “CONSOLIDATED FINANCIAL STATEMENTS” for a more detailed description of the Obligated Group.

THE BONDS

General

The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated August 1, 2017, will bear interest at the rates set forth on the inside cover of this Official Statement, payable semiannually on January 1 and July 1 of each year (each an “Interest Payment Date”), commencing January 1, 2018, and will mature on July 1 in the years and in the principal amounts set forth on the inside cover of this Official Statement.

The Bonds will be issued solely in book-entry only form. While the Bonds are in book-entry form, principal of, redemption premium (if any) and interest on the Bonds will be made by the Trustee directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, and will be subsequently disbursed by Cede & Co. to DTC Participants and thereafter to the hereinafter defined Beneficial Owners of the Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” below.

In the event the Bonds are no longer held in a book-entry only system, the payment of the principal amount or redemption price of the Bonds will be made at the designated corporate trust office of the Bond Trustee and interest on all Bonds will be payable to the registered owner as of the Regular Record Date by check or draft mailed to such registered owner. The Regular Record Date for the Bonds for the payment of interest is the 15th day of the month next preceding each Interest Payment Date (i.e. each June 15 and December 15). Interest due on any Interest Payment Date may also be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated in writing by the registered owner of the Bonds in the aggregate principal amount of \$1,000,000 or more, not less than 15 days prior to any Interest Payment Date.

Redemption of the Bonds

Optional Redemption.

Series A Bonds. The Series A Bonds maturing after July 1, 2027 are subject to optional redemption prior to maturity at the option of the applicable Authority, at the direction of the Obligated Group Agent, in whole or in part, on any date on and after July 1, 2027, in any order of maturity, upon payment of a redemption price equal to 100% of the principal amount of the Series A Bonds to be redeemed, plus accrued interest to the redemption date.

Series B Bonds. The Authority and the Borrowers have reserved the right and the option to redeem the Series B Bonds in whole or in part, on any date, in any order of maturity, in principal amounts equal to \$5,000 or any integral multiple thereof at a redemption price (the “Make-Whole Redemption Price”) equal to the greater of (a) 100% of the principal amount of the Series B Bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series B Bonds are to be redeemed, discounted to the date on which the Series B Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted “Treasury Rate” (as defined herein) plus 50 basis points, plus, in each case, accrued and unpaid interest on the Series B Bonds to be redeemed on the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series B Bond, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (“Statistical Release”) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. At the request of the Bond Trustee, the Make-Whole Redemption Price of the Series B Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by and at the expense of the Borrowers to calculate such redemption price. The Bond Trustee, the Authority and the Borrowers may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor, which shall be final and conclusive, and will not be liable for such reliance.

Extraordinary Optional Redemption. The Series A Bonds are subject to redemption prior to maturity at the option of the applicable Authority as directed by the Obligated Group Agent, at a redemption price of 100% of the principal amount of Series A Bonds to be redeemed, plus accrued interest to the redemption date as a whole or in part at any time, but only in the event all or a portion of the Facilities (as defined in the Bond Indenture) are damaged, destroyed, condemned or sold under threat of condemnation and it is determined by the Obligated Group Agent that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds or condemnation awards or proceeds of any sale under threat of condemnation received by the Bond Trustee as a result of such damage, destruction, condemnation or sale under threat of condemnation.

Mandatory Sinking Fund Redemption.

Series A Bonds. The Series A Bonds maturing on July 1, 2037, July 1, 2042 and July 1, 2049 are subject to mandatory sinking fund redemption, upon notice as provided in the Bond Indenture, in part in Authorized Denominations, upon the conditions and terms prescribed in the Bond Indenture, at a redemption price equal to the principal amount of the Bonds called plus accrued interest thereon to the Redemption Date, on July 1, in each of the years and in the respective principal amounts as follows:

Series A Bonds Maturing on July 1, 2037:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2033	\$3,505,000	2036	\$4,055,000
2034	3,680,000	2037*	4,260,000
2035	3,865,000		

* Maturity

Series A Bonds Maturing on July 1, 2042:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2038	\$4,470,000	2041	\$5,175,000
2039	4,695,000	2042*	5,435,000
2040	4,930,000		

* Maturity

Series A Bonds Maturing on July 1, 2049:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2043	\$5,705,000	2047	\$6,940,000
2044	5,995,000	2048	7,285,000
2045	6,295,000	2049*	7,650,000
2046	6,605,000		

* Maturity

Series B Bonds. The Series B Bonds are subject to mandatory sinking fund redemption, upon notice as provided in the Bond Indenture, in part in Authorized Denominations, upon the conditions and terms prescribed in the Bond Indenture, at a redemption price equal to the principal amount of the Bonds called plus accrued interest thereon to the Redemption Date, on July 1, in each of the years and in the respective principal amounts as follows:

Series B Bonds Maturing on July 1, 2022:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2018	\$1,340,000	2021	\$1,770,000
2019	1,600,000	2022*	1,865,000
2020	1,685,000		

* Maturity

Series B Bonds Maturing on July 1, 2027:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2023	\$1,965,000	2026	\$2,340,000
2024	2,080,000	2027*	2,480,000
2025	2,205,000		

* Maturity

Series B Bonds Maturing on July 1, 2031:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2028	\$2,625,000	2030	\$2,965,000
2029	2,790,000	2031*	1,850,000

* Maturity

In the case of optional or extraordinary redemption of any Bonds subject to mandatory sinking fund redemption prior to maturity, the Obligated Group Agent shall be entitled to designate whether such payments shall be credited against principal amounts due at maturity or against particular mandatory sinking fund redemption obligations with respect to such Bonds.

At its option, to be exercised on or before the 60th day prior to the Series A Bonds Sinking Fund Payment Date or the Series B Bonds Sinking Fund Payment Date, as applicable, the Authority, through (or at the direction of) the Obligated Group Agent, may do any one or more of the following: (i) deliver to the Bond Trustee for cancellation Bonds of the applicable series and maturity, (ii) receive a credit in respect of its sinking fund redemption obligation for any such Bonds which prior to said date have been redeemed or purchased (otherwise than through the operation of the applicable Sinking Fund Subaccount) and cancelled by the Bond Trustee and not theretofore applied as a credit against such sinking fund redemption obligations, or (iii) cause funds to be delivered to the Bond Trustee, for deposit in a Sinking Fund Subaccount, together with written instructions from the Obligated Group Agent directing the Bond Trustee to apply such funds on or before the 45th day prior to the payment date to the purchase of

designated applicable Bonds, and the Bond Trustee shall thereupon use all reasonable efforts to expend such funds for the purchase of such Bonds at a price or prices which shall not exceed the price or prices indicated in written instructions of the Obligated Group Agent received by the Bond Trustee. Each Bond so delivered, redeemed or purchased in accordance with the terms of the Bond Indenture shall be credited by the Bond Trustee at 100% of the principal amount thereof to the obligation of the Authority with respect to the applicable Sinking Fund Subaccount; any excess over such amount shall be credited to such future obligations with respect to such Sinking Fund Subaccount in accordance with the written instructions of the Obligated Group Agent.

Selection of the Bonds to be Redeemed. While the Bonds are in book-entry form, the selection of book-entry interests in the Bonds to be redeemed is the responsibility of DTC, Direct Participants and Indirect Participants. See “Book-Entry Only System” below. If the Bonds are no longer in book-entry form, if less than all the Bonds of a particular maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the Bond Trustee in Authorized Denominations from the Outstanding Bonds of the applicable maturity not previously called for redemption, in order of maturities directed by the Obligated Group Agent (except for sinking fund redemptions which shall be made in direct order of maturity) and within any maturity chosen by the Bond Trustee by lot; provided that following any such selection, both the portions of such Bonds to be redeemed and the portion remaining shall be in Authorized Denominations, at the principal amount thereof plus accrued interest, or through purchase, as hereinafter provided.

Notice of Redemption. Notice of the call for redemption of the Bonds held under a book entry system will be sent by the Bond Trustee only to DTC or its nominee as registered owner. Selection of book entry interests in the Bonds called, and notice of call to the Beneficial Owners of those interests called, is the responsibility of DTC, Direct Participants and Indirect Participants. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or any Indirect Participant to notify the book entry interest owners, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of the Bonds. See “Book-Entry Only System” below.

If the Bonds are no longer in book-entry form, notice of any redemption of any Bonds pursuant to the above provisions will be mailed by first-class mail, postage prepaid, to the Owners of any Bonds or portion of the Bonds to be redeemed at the address shown on the Bond Register not less than 20 days nor more than 60 days prior to the redemption date. No defect in any mailed notice or in the mailing thereof (including the failure to mail any notice) shall affect the validity of the redemption of other Bonds for which proper notice of redemption has been given. Any Bonds or portions thereof so called for redemption will be due and payable at the designated corporate trust office of the Bond Trustee in Minneapolis, Minnesota, at the applicable redemption price herein provided, and from and after the date so fixed for redemption, interest on such Bonds or portions thereof will cease to accrue. Notice of any redemption of any Bonds may be conditioned upon deposit by the Authority with the Bond Trustee of sufficient moneys to pay the redemption price on or prior to the specified redemption date and in the event such moneys are not so deposited such notice shall be of no effect.

Purchase in Lieu of Optional Redemption. Under the Bond Indenture, the Authority, and, by their acceptance of the Bonds, the Beneficial Owners of the Bonds, will irrevocably grant to the Borrowers, and Obligated Group Agent on their behalf, the option to purchase, at any time when the Bonds are otherwise subject to optional redemption as described under “Optional Redemption” above, any of the Bonds otherwise subject to optional redemption at a purchase price equal to the redemption price applicable thereto. To exercise such option with respect to such Bonds, the Obligated Group Agent must give the Bond Trustee a written request for purchase, the Obligated Group Agent, on behalf of the Borrowers shall direct the Bond Trustee that such Bonds shall be purchased by the Borrowers and not redeemed at any time prior to the cancellation of such Bonds otherwise subject to optional redemption.

The purchase of such Bonds will be mandatory and enforceable against the Owners of the Bonds selected for purchase. On the date fixed for purchase pursuant to any exercise of such option, the Borrowers shall pay the purchase price of the Bonds then being purchased to the Bond Trustee in immediately available funds, and the Bond Trustee will pay the same to the Owners of such Bonds against delivery thereof. Following such purchase, the Bond Trustee will cause such Bonds to be registered in the name of the Borrowers or their designated nominee and shall deliver them to the Borrowers or such nominee. In the case of the purchase of less than all of the Bonds of a particular series, the Bonds of such series to be purchased will be selected in accordance with the provisions of this Bond Indenture as though such purchase were a redemption. No purchase of Bonds as described above will operate to extinguish the indebtedness of the Authority evidenced thereby. Notwithstanding the foregoing, no purchase of Bonds as described in this paragraph shall be in effect unless (i) at the time of such purchase, a rating of at least BBB, or equivalent, from any Rating Agency, shall be in effect, and (ii) the Borrowers shall have delivered to the Bond Trustee and the Authority, concurrently therewith, a Favorable Opinion of Bond Counsel with respect to such purchase.

Book-Entry Only System

The information contained in this section concerning DTC and DTC's book-entry only system has been obtained from materials furnished by DTC to the Authority. The Authority and the Underwriter do not make any representation or warranty as to the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is determined by lot the amount of the interest of each Direct Participant in such issue to be redeemed

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Bond 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 Bond Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority may decide at the direction of the Beneficial Owners to discontinue use of the system of book-entry transfers for any or all series of Bonds through DTC (or a successor securities depository). In that event, certificates for the Bonds are required to be printed and delivered to DTC.

NONE OF THE AUTHORITY, THE OBLIGATED GROUP, THE UNDERWRITER, THE BENEFICIAL OWNERS, OR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC, A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTEREST IN THE BONDS, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Limited Liability of Authority

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE FUNDS PLEDGED FOR THE PAYMENTS THEREOF UNDER THE BOND INDENTURE, INCLUDING AMOUNTS PAYABLE BY THE BORROWERS UNDER THE LOAN AGREEMENT AS DESCRIBED HEREIN. THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF PENNSYLVANIA INCLUDING, WITHOUT LIMITATION, THE CITY OF PHILADELPHIA, AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION, MORAL OR OTHERWISE, OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING THE CITY OF PHILADELPHIA. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE BONDS, OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

The Bond Indenture

Pursuant to the Bond Indenture, the Authority will assign and pledge to the Bond Trustee, for the equal and proportionate benefit, security and protection of the Owners from time to time of the Bonds, except as otherwise expressly provided in such Bond Indenture, all right, title and interest of the Authority in and to the Trust Estate, which consists of: (a) the Loan Agreement, together with any and all amounts payable to the Authority under the Loan Agreement and the Authority's right, title and interest to the Series 2017 Master Notes; (b) all moneys and investments in the funds and accounts created under the

Bond Indenture (including all income and receipts earned on the funds and accounts held by the Bond Trustee under the Bond Indenture), as applicable, other than amounts on deposit in the Rebate Fund; (c) all other property rights of any kind assigned to the Bond Trustee as security for the Bonds; and (d) all proceeds acquired by the Bond Trustee from the exercise of any remedies under the Bond Indenture; subject, however, in each case, to the Reserved Rights of the Authority, as set forth in the Bond Indenture, which Reserved Rights include the payment of the Authority's fees and expenses pursuant to the Loan Agreement, the indemnification of the Authority pursuant thereto, and the payment of all attorney's fees and expenses of such Authority, in the event of default by the Obligated Group pursuant thereto.

For a more complete description of the Bond Indenture see "SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT – THE BOND INDENTURE" in APPENDIX D hereto.

The Loan Agreement

Pursuant to the Loan Agreement, the Authority will lend to the Borrowers the proceeds of the Bonds, and the Borrowers will agree to make loan payments thereunder in amounts and at times sufficient, together with other money available therefor under the Bond Indenture, to provide for the timely payment of the debt service requirements on the Bonds. To evidence and secure their payment obligations under the Loan Agreement with respect to the Bonds, the Borrowers will deliver, or cause to be delivered, to the Bond Trustee the Series 2017 Master Notes issued under the Master Indenture. The Authority will assign the Loan Agreement (except for its Reserved Rights), including its right to receive payments thereunder, and its rights in and to the Series 2017 Master Notes to the Bond Trustee for the benefit of the holders from time to time of the Bonds. For a more complete description of the Loan Agreement, see "SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT – THE LOAN AGREEMENT" in APPENDIX D hereto.

Debt Service Reserve Funds

Under the Bond Indenture, the Bond Trustee will establish a Series A Bonds Debt Service Reserve Fund and a Series B Bonds Debt Service Reserve Fund for the benefit and security of the holders of the Series A Bonds and the Series B Bonds, respectively. Concurrently with the issuance of the Bonds, the Bond Trustee shall deposit in each Debt Service Reserve Fund, out of the proceeds of the sale of the Bonds, cash in an amount equal to the Reserve Fund Requirement applicable to such Fund. "Reserve Fund Requirement" is defined in the Indenture as (i) with respect to the Series A Bonds Debt Service Reserve Fund, the sum of \$6,130,045.24; and (ii) with respect to the Series B Bonds Debt Service Reserve Fund, the sum of \$1,903,704.76; or, in each case, if lesser, the maximum annual requirement for the payment of the principal (including scheduled mandatory redemptions) of and interest on the Bonds of each series, as applicable, in any future period of 12-months ending on July 1 of each year. Moneys available in each Debt Service Reserve Fund shall be applied by the Bond Trustee, without further direction from the Authority or the Borrowers, to pay the principal of and interest on the each series of Bonds, as applicable, to the extent that amounts paid by the Borrowers or the Members of the Obligated Group under the Loan Agreement or the Series 2017 Master Notes are not sufficient for such purpose. Moneys in the Series A Bonds Debt Service Reserve Fund will be available only to make payments of debt service with respect to the Series A Bonds, and moneys in the Series B Bonds Debt Service Reserve Fund will be available only to make payments of debt service with respect to the Series A Bonds. The amount of any withdrawal from any Debt Service Reserve Fund, or any decline in the value of the Reserve Fund Assets in such Debt Service Reserve Fund as of any Interest Payment Date to an amount less than 95% of the applicable Reserve Fund Requirement, is required to be restored by the Borrowers in no more than 12 equal, consecutive monthly installments payable on the last Business Day of each month, commencing with the month in which such withdrawal occurs or such decline in valuation is established

and the Bond Trustee has notified the Borrowers in writing. For a more complete description of the Debt Service Reserve Funds established for each series of Bonds, see “SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT – THE BOND INDENTURE – Debt Service Reserve Funds” in APPENDIX D HERETO.

The Master Indenture

Each Master Note issued and outstanding under the Master Indenture, including each of the Series 2017 Master Notes, is the joint and several general obligation of the Members of the Obligated Group thereunder. The payment obligations of the Members of the Obligated Group under the Master Indenture are secured by a pledge of the Pledged Revenues of the Members of the Obligated Group, which include (a) all revenues of the Members of the Obligated Group from whatever source derived, (b) all accounts, general intangibles, documents, instruments and chattel paper (as each such term is defined under the Uniform Commercial Code of each applicable jurisdiction), including all Receivables, of each Member, now owned or hereafter acquired, and (c) all proceeds of the foregoing; provided, however, that the Pledged Revenues shall not include (i) any Property the use of which is restricted by reason of the terms of any law or any gift, grant or bequest to purposes which do not include the payment of the Debt Service Requirements on any Obligations; and (ii) any Property securing, or which is derived from the operation of Facilities which secure, Non-Recourse Indebtedness. See the definition of “Pledged Revenues” in “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES” in APPENDIX E hereto. The Master Indenture provides that payments on any Master Notes issued and outstanding thereunder, including the Series 2017 Master Notes, are the general obligation of each Member of the Obligated Group. See “CERTAIN BONDHOLDERS’ RISKS — Certain Matters Relating to the Enforceability of the Master Indenture.”

All Master Notes and other obligations currently outstanding or hereafter issued under the Master Indenture are secured equally and ratably by the liens granted under the Master Indenture, subject, however, to the establishment of any debt service reserve or other separate fund under the Master Indenture (or otherwise) to secure any particular Obligations issued thereunder.

As of the date of issuance of the Bonds, the Borrowers, Wesley, the Foundation and Home Partners will be the only Members of the Obligated Group under the Master Indenture. Upon the satisfaction of certain conditions, however, any Person may become a Member of the Obligated Group and in the future such other Members of the Obligated Group may incur indebtedness secured by Master Notes of the Obligated Group. Under certain conditions and upon meeting certain tests set forth in the Master Indenture, a Member of the Obligated Group may withdraw from the Obligated Group. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES — THE MASTER TRUST INDENTURE — Persons Becoming Members of the Obligated Group” and “— Release of Members of the Obligated Group” in APPENDIX E hereto.

Under certain conditions specified in the Master Indenture, Members of the Obligated Group may issue additional Master Notes or Obligations, which additional Master Notes or Obligations will not be pledged under the Bond Indenture, but will be equally and ratably secured by the Master Indenture with the Series 2017 Master Notes. In addition, the Master Indenture permits such additional Master Notes or Obligations to be secured by security in addition to that provided for the Series 2017 Master Notes, including letters or lines of credit or insurance, which additional security need not be extended to secure any other Master Notes (including the Series 2017 Master Notes). In addition, the Master Indenture permits Members of the Obligated Group to (i) incur other Indebtedness, (ii) enter into Guaranties and (iii) sell, lease or otherwise dispose of Property all upon the terms and conditions specified therein. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND

MORTGAGES — THE MASTER TRUST INDENTURE — Additional Long Term Indebtedness” — Short Term Indebtedness,” and “ — Sale, Lease or Other Disposition of Assets” in APPENDIX E hereto.

The Master Indenture provides that an indenture supplemental to, and authorized and executed pursuant to the terms of the Master Indenture (a “Supplemental Indenture”), pursuant to which one or more series of Master Notes entitled to additional security is issued, may provide for such amendments to the provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to provide such security and to permit realization upon such security solely for the benefit of the Master Notes entitled thereto.

Financing statements with respect to the security interests granted under the Master Indenture will be filed in the appropriate records of local and state recording offices in order to perfect such security interest to the extent possible by such filing. Continuation statements meeting the requirements of the applicable Uniform Commercial Code (the “UCC”) must generally be filed every five years to continue the perfection of such security interests. However, the Pledged Revenues of the Obligated Group include certain types of items of collateral in which a security interest may only be perfected by possession by the Bond Trustee, as well as other items of collateral which may be excluded from the coverage of the UCC. These portions of the Pledged Revenues include, but are not limited to, cash, deposits, instructions, certain documents, and governmental and private insurance arrangements. To the extent that these items of collateral are not possessed by the Bond Trustee or are excluded from the coverage of the UCC, the security interest of the Bond Trustee in such portion of the Pledged Revenues will be unperfected.

The pledge of certain portions of the Pledged Revenues may not be enforceable against third parties unless such Pledged Revenues are transferred to the Bond Trustee, and such pledge may be subject to exceptions under the UCC. In the event of a default by the Obligated Group under the Master Indenture, the Master Trustee may not be able to compel Medicare, Medicaid or other third-party payors or insurers to make payments directly to the Master Trustee. Under current law such security interests may be further limited by the following: (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 contained in any state or 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 discretion; (v) federal bankruptcy laws affecting assignments of revenues earned after any institution of bankruptcy proceedings by or against the Authority or the Members of the Obligated Group; (vi) rights of third parties in any revenues, including revenues converted to cash, not in possession of the Bond Trustee; (vii) the requirement that appropriate continuation statements be filed pursuant to the UCC as from time to time in effect; and (viii) rights of holders of Permitted Liens, as set forth in the Master Indenture. The ability to deliver and record the Mortgages (or the priority thereof) may be limited or restricted by law and as otherwise provided by the Master Indenture. See “CERTAIN BONDHOLDERS’ RISKS — Certain Matters Relating to the Enforceability of the Master Indenture” herein.

In addition, as more particularly described below, the Borrowers will grant to the Master Trustee the Mortgages, which encumber the current operating facilities of the Borrowers. The Obligated Group has covenanted under the Master Indenture not to create, or allow to exist upon its Property, any Lien except for Permitted Liens. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES.”

The Master Indenture contains various financial and operating covenants of the Obligated Group for the security of all Master Notes issued thereunder. These include:

Rate Covenant. Beginning with the measuring period ending June 30, 2018, the Master Indenture requires the Obligated Group to maintain a Historical Debt Service Coverage Ratio, calculated

at the end of each Fiscal Quarter but tested semiannually, defined generally as the quotient obtained by dividing the Net Revenues Available for Debt Service by the Maximum Annual Debt Service Requirement, of at least 1.20. An Event of Default shall occur under the Master Indenture if the Rate Covenant is less than 1.00 for two consecutive semi-annual Measuring Periods. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Rate Covenant” for a further description of the Historical Debt Service Coverage Ratio Covenant, including a description of the actions required to be taken if such covenant is not met.

Liquidity Covenant. The Master Indenture requires the Obligated Group to maintain Days’ Cash on Hand, calculated at the end of each Fiscal Quarter but tested semiannually, defined generally as the number produced for any period by dividing of (i) the amount of Unrestricted Cash and Investments of the Obligated Group as of the last day of such period, by (b) the quotient obtained by dividing Total Expenses (including interest on Long Term Indebtedness unless funded by such Long Term Indebtedness) during such period by the number of days in such period, of at least 120 days. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Liquidity Covenant” for a further description of the Liquidity Covenant, including a description of the actions required to be taken if such covenant is not met.

Additional Indebtedness Covenant. The Master Indenture permits the incurrence of Additional Indebtedness for a variety of purposes, including Long-Term Indebtedness equally and ratably secured by Notes issued pursuant to the Master Indenture on a parity with the Series 2017 Master Notes issued in connection with the Bonds under certain conditions and subject to certain financial tests and other requirements. The Master Indenture also permits the incurrence of Short-Term Indebtedness in an amount up to fifteen percent (15%) of Total Revenues for the preceding twelve months for which audited financial statements have been completed, provided, however, for a period of not less than 20 consecutive days within each Fiscal Year, the Obligated Group shall reduce the aggregate principal amount of all outstanding Short-Term Indebtedness to less than 5% of the Total Revenues of the Obligated Group for the most recently completed Fiscal Year. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness” and “– Short Term Indebtedness” for a further description of the conditions and financial tests applicable to the incurrence of Additional Indebtedness.

Transfer Test Covenant. The Obligated Group is generally prohibited from transferring Property outside the Obligated Group except under certain specified conditions. Among the conditions permitting such transfer is that the aggregate Value of the Property transferred in any Fiscal Year not exceed 1% to 7.5% (dependent on Days’ Cash on Hand) of cash and investments and Property, Plant and Equipment of the Obligated Group, as shown on the most recent audited financial statements of the Obligated Group. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MASTER TRUST INDENTURE – Sale, Lease or Other Disposition of Assets” for a further description of the conditions and financial tests applicable to the Transfer of Property.

For a more complete description of the covenants of the Members of the Obligated Group set forth in the Master Indenture, see “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES” in APPENDIX E hereto.

The Mortgages

The Series 2017 Master Notes and other Notes issued pursuant to the Master Indenture will be secured by Open-End Mortgage and Security Agreements, each dated August 1, 2017 from each of the Borrowers to the Master Trustee pursuant to which the Borrowers will grant to the Master Trustee mortgages on the current operating facilities of the Borrowers. See APPENDIX E – “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES – THE MORTGAGES.”

PURPOSE OF THE BONDS AND PLAN OF FINANCING

General

Proceeds of the Bonds, together with other available funds, will be used to (a) refund the Refunded Bonds; (b) refinance the 2011 Stapeley Term Loan; (c) finance capital projects of the Borrowers consisting of renovations and upgrades to existing independent living and personal care units, existing health care facilities and common areas, the acquisition of new plant equipment and furnishings, and other facility enhancements at any or all of the Communities; (d) fund certain resident refunds, accounts payable, an interest rate swap termination payment and other working capital obligations of the Borrowers; (e) fund the Debt Service Reserve Funds for the Bonds; and (f) pay some or all of the costs of issuance of the Bonds. The Series 2017 Master Notes will be secured under the Master Indenture together with other outstanding Master Notes.

Refunding of Refunded Bonds

Upon the issuance of the Bonds, a portion of the proceeds thereof will be deposited with the various trustees for the Refunded Bonds of each series, or otherwise paid directly to the holder thereof, in the aggregate amount set forth under “Estimated Sources and Uses of Funds” below, for the payment in full of the Refunded Bonds at or shortly following the date of issuance of the Bonds, or, in the case of the Stapeley 2005C Bonds, on December 31, 2017. To the extent any such funds are not applied to the payment in full of any Refunded Bonds on the date of issuance of the Bonds, each trustee for such Refunded Bonds will be instructed to invest the amounts deposited for the payment of such Refunded Bonds solely in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America or otherwise to maintain such funds as required under each indenture or other agreement under which such Refunded Bonds are issued for the legal defeasance of such Refunded Bonds. Upon the issuance of the Bonds and the deposit of funds for the payment thereof as described herein, all of the Refunded Bonds will no longer be outstanding under the indenture or other agreement under which such Refunded Bonds are issued.

The sufficiency of amounts deposited for the payment of the Refunded Bonds at closing will be verified as to mathematical accuracy by Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia.

Capital Projects

A portion of the net proceeds of the Bonds will be applied toward renovations and upgrades to existing independent living and personal care units, existing health care facilities and common areas, the acquisition of new plant equipment and furnishings, and other facility enhancements at any or all of the Communities. The majority of the improvements will be focused on the WEL Main Line campus. See APPENDIX A – “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP – The Capital Improvement Projects” for a more detailed description of the proposed capital expenditures at WEL Main Line and the other Communities.

Entrance Fee Refund Reserve Fund

A portion of the proceeds of the Series B Bonds in the approximate amount of \$12,600,000 shall be deposited into an Entrance Fee Refund Reserve Fund established and held under the Bond Indenture and used by the Obligated Group to pay entrance fee refunds as they become due. The funding of the Entrance Fee Refund Reserve Fund is intended to provide additional liquidity for the Obligated Group during the five year period after issuance of the Bonds during which time the Obligated Group plans to phase out the refund obligations on its existing refundable entrance fee contracts. See APPENDIX A – “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP – RESIDENCY AGREEMENTS AND LEVELS OF CARE – Entrance Fee Refund Reserve Fund” and APPENDIX D – “SUMMARY OF THE PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT – THE BOND INDENTURE – Entrance Fee Refund Reserve Fund.”

Other Purposes

A portion of the net proceeds of the Bonds will be applied toward the refinancing of a term loan issued by a commercial bank for the benefit of WEL Stapeley in 2011 in the original principal amount of \$8,710,000, fund certain accounts payable, an interest rate swap termination payment and other working capital obligations of the Borrowers, fund the Debt Service Reserve Funds for the Bonds and fund all or a portion of the costs of issuance of the Bonds.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of the proceeds of the Bonds, together with other funds, are as follows, rounded to the nearest whole dollar.

<u>SOURCES</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
Bonds	\$95,185,000	\$29,560,000	\$124,745,000
Original Issue Premium/Discount	2,021,142	(117,645)	1,903,497
Funds Released Upon Refunding	3,814,327	196,002	4,010,329
Accrued Interest	185,082	67,559	252,641
TOTAL SOURCES	<u>\$101,205,551</u>	<u>\$29,705,916</u>	<u>\$130,911,467</u>
<u>USES</u>			
Project Fund	\$30,014,413	--	\$30,014,413
Refunding of the Refunded Bonds	54,235,229	\$9,559,791	63,795,020
Refunding of the Stapeley Term Loan	8,590,641	--	8,590,641
Entrance Fee Refund Reserve Fund Deposit	--	12,600,000	12,600,000
Series A Bonds Debt Service Reserve Fund Deposit	6,130,045	--	6,130,045
Series B Bonds Debt Service Reserve Fund Deposit	--	1,903,705	1,903,705
Swap Termination Payment	--	2,771,000	2,771,000
Accrued Interest on the Bonds	185,082	67,559	252,641
Accounts Payable	--	2,000,000	2,000,000
Title Insurance	146,441	45,478	191,919
Cost of Issuance ⁽¹⁾	1,903,700	758,383	2,662,083
TOTAL USES	<u>\$101,205,551</u>	<u>\$29,705,916</u>	<u>\$130,911,467</u>

(1) Includes Underwriter's discount, and the estimated fees of Counsel to the Obligated Group, Bond Counsel, counsel to the Underwriter, Obligated Group's auditor, Verification Agent, Bond Trustee and Master Trustee, fees and expenses of the Authority and its legal counsel and printing and other costs.

DEBT SERVICE SCHEDULE

The following table sets forth as of each July 1 of the years set forth below, the amounts required to pay the principal of (whether at maturity or upon scheduled mandatory redemption) and interest on the Bonds.

Year	Series A Bonds		Series B Bonds		Total
	Principal	Interest⁽¹⁾	Principal	Interest⁽¹⁾	Debt Service⁽¹⁾
2018	--	\$4,362,645	\$1,340,000	\$1,592,456	\$7,295,102
2019	--	4,759,250	1,600,000	1,666,875	8,026,125
2020	--	4,759,250	1,685,000	1,582,875	8,027,125
2021	--	4,759,250	1,770,000	1,494,412	8,023,662
2022	--	4,759,250	1,865,000	1,401,487	8,025,737
2023	--	4,759,250	1,965,000	1,303,575	8,027,825
2024	--	4,759,250	2,080,000	1,185,675	8,024,925
2025	--	4,759,250	2,205,000	1,060,875	8,025,125
2026	--	4,759,250	2,340,000	928,575	8,027,825
2027	--	4,759,250	2,480,000	788,175	8,027,425
2028	--	4,759,250	2,625,000	639,375	8,023,625
2029	--	4,759,250	2,790,000	475,312	8,024,562
2030	--	4,759,250	2,965,000	300,937	8,025,187
2031	\$1,305,000	4,759,250	1,850,000	115,625	8,029,875
2032	3,335,000	4,694,000	--	--	8,029,000
2033	3,505,000	4,527,250	--	--	8,032,250
2034	3,680,000	4,352,000	--	--	8,032,000
2035	3,865,000	4,168,000	--	--	8,033,000
2036	4,055,000	3,974,750	--	--	8,029,750
2037	4,260,000	3,772,000	--	--	8,032,000
2038	4,470,000	3,559,000	--	--	8,029,000
2039	4,695,000	3,335,500	--	--	8,030,500
2040	4,930,000	3,100,750	--	--	8,030,750
2041	5,175,000	2,854,250	--	--	8,029,250
2042	5,435,000	2,595,500	--	--	8,030,500
2043	5,705,000	2,323,750	--	--	8,028,750
2044	5,995,000	2,038,500	--	--	8,033,500
2045	6,295,000	1,738,750	--	--	8,033,750
2046	6,605,000	1,424,000	--	--	8,029,000
2047	6,940,000	1,093,750	--	--	8,033,750
2048	7,285,000	746,750	--	--	8,031,750
2049	7,650,000	382,500	--	--	8,032,500
Total	<u>\$95,185,000</u>	<u>\$116,913,895</u>	<u>\$29,560,000</u>	<u>\$14,536,231</u>	<u>\$256,195,127</u>

⁽¹⁾ Interest and total amounts may vary slightly from actual amounts payable due to rounding variances.

BONDHOLDERS' RISKS

General

INVESTMENT IN THE BONDS IS HIGHLY SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. THERE IS NO PUBLIC MARKET FOR THE BONDS. THE BONDS ARE INTENDED ONLY FOR PURCHASE BY SOPHISTICATED INVESTORS CAPABLE OF BEARING THE ECONOMIC RISKS OF THE PURCHASE OF THE BONDS AND HAVING SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ADVISED TO READ "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN AND THIS SECTION ENTITLED "BONDHOLDERS' RISKS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

The Bonds will be special limited obligations of the Authority payable solely from moneys to be received by the Bond Trustee from the Members of the Obligated Group under the Loan Agreement and the Series 2017 Master Notes. No representation or assurance can be given that revenues will be realized by the Members of the Obligated Group in amounts sufficient to make the required payments of principal and interest on the Bonds and Series 2017 Master Notes. Future economic and other conditions may adversely affect the Obligated Group's revenues and expenses and, consequently, the Obligated Group's ability to make payments under the Loan Agreement.

The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.

Enforceability of Master Indenture

Under the Master Indenture, the Series 2017 Master Notes are the joint and several obligation of each Member of the Obligated Group. The Master Indenture may not be enforceable against any Member of the Obligated Group, in particular, to the extent such funds (i) are requested to make payments on any Obligation which is issued for a purpose not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or which is issued for the benefit of any entity other than a tax-exempt organization; (ii) are requested to be made from any property, the use of which is donor restricted or which is subject to a direct or express trust which does not permit the use of such property for such payments; or (iii) would result in the cessation or discontinuation of any material portion of the health-care or related services previously provided by the Member of the Obligated Group from which such payment is requested. Due to the absence of clear legal precedent in this area, the extent to which the property of any Member of the Obligated Group falls within the categories referred to above cannot be determined and could be substantial.

There is no clear precedent in the law as to whether transfers from a Member of the Obligated Group in order to pay debt service on the Obligations issued for the benefit of another Member of the Obligated Group may be voided by a trustee in bankruptcy in the event of a bankruptcy of the transferring Member of the Obligated Group or by third-party creditors in an action brought pursuant to Pennsylvania fraudulent conveyances statute. Under Title 11 of the United States Code (the "Bankruptcy Code"), a trustee in bankruptcy and, under the Pennsylvania fraudulent conveyances statute, a creditor may seek to avoid any obligation incurred or transfer made by a debtor if, among other possible bases therefor, (i) the debtor has not received fair consideration or reasonably equivalent value in exchange for such obligation or transfer and (ii) the obligation was incurred or transfer made when the debtor was insolvent or rendered

the guarantor “insolvent”, as defined in the Bankruptcy Code or Pennsylvania fraudulent conveyances statute, or if the guarantor was undercapitalized or became undercapitalized as a result of the obligation or transfer.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. In an action brought by a bankruptcy trustee or creditor seeking to avoid and recover a payment made by a Member of the Obligated Group on Obligations issued for the benefit of another Member of the Obligated Group, a court may order the return of such payment if the court determines that (a) fair consideration or reasonably equivalent value was not received by the transferring Member of the Obligated Group in exchange for the payment, and (b) the payment was made when the transferring Member of the Obligated Group was insolvent or it rendered the transferring Member of the Obligated Group insolvent, or the transferring Member of the Obligated Group is or became undercapitalized as a result of the payment.

Enforceability and Bankruptcy

The practical realization of any rights upon any default under the Loan Agreement or under the Master Indenture will depend upon the exercise of various remedies specified in such instruments, as restricted by federal and state laws. The federal bankruptcy laws may have an adverse effect on the ability of the Bond Trustee and the owners of the Bonds to enforce their claims granted by the Bond Indenture, the Loan Agreement or the Master Indenture. The obligation of the Obligated Group on the Series 2017 Master Notes will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditors’ rights and by the availability of equitable remedies.

The remedies available to the Bond Trustee, the Master Trustee, the Authority or the owners of the Bonds upon an event of default under the Master Indenture, the Bond Indenture, the Loan Agreement or the Series 2017 Master Notes are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the Bankruptcy Code, the remedies provided in the Master Indenture, the Bond Indenture, the Loan Agreement and the Series 2017 Master Notes may not be readily available or may be limited.

Secondary Markets and Prices

Except as specifically set forth in the Bond Indenture, neither the Underwriter, the Bond Trustee, the Authority, the Obligated Group, nor any other party will be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market with respect to the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

Construction Risks

Certain proceeds of the Bonds are intended to be spent on improvements to the Communities (the “Improvements”). See APPENDIX A – “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP – The Capital Improvement Projects.” Construction of the Improvements is subject to the usual risks associated with construction projects, including, but not limited to, strikes, shortages of materials, adverse weather conditions or delays in issuance of the required building permit or other necessary approvals or permits. Such events could result in a delay in occupancy of the portion of the Communities being improved and thus a delay in receipt of revenue by the Obligated Group. It is

anticipated that the proceeds from the sale of the Bonds and anticipated investment earnings on the proceeds of the Bonds will be sufficient to complete the construction and equipping of the Improvements. . Cost overruns for a project of this magnitude may occur, however, due to change orders and other factors. In addition, , the date of substantial completion of the Improvements may be extended by reason of changes authorized by the Obligated Group, delays due to acts or neglect of the Obligated Group or by independent contractors employed by the Obligated Group, or by labor disputes, fire, unusual delay in transportation, adverse weather conditions not reasonably anticipated, unavoidable casualties or any other causes beyond the control of the Obligated Group.

Failure to Achieve or Maintain Occupancy

The economic feasibility of the Communities depends in large part upon the ability of the Obligated Group to attract sufficient numbers of residents to the Communities to achieve sustained occupancy and to maintain substantial occupancy and turnover of occupancy at the Communities throughout the term of the Bonds. The Obligated Group's ability to achieve and maintain sustained occupancy depends to some extent on factors outside its control. If the Communities fail to achieve sustained occupancy, there may be insufficient funds to pay the debt service requirements on the Bonds.

Regulation of the Health Care Industry

The Obligated Group is subject to regulatory actions and policies of a variety of governmental and non-governmental entities, including the Centers for Medicare and Medicaid Services, which administers the Medicare program ("CMS"), the Pennsylvania Department of Human Services, which administers the Pennsylvania Medicaid program, the Pennsylvania Department of Health, the Joint Commission on Accreditation of Health Care Organizations, the Internal Revenue Service, and other federal, state and local government agencies. Management of the Obligated Group anticipates no difficulty in renewing or maintaining currently held licenses, certificates, registrations and accreditations. Nevertheless, actions by any of these or other entities (including the adoption of new policies or changes in existing policies) could affect the ability of the Members of the Obligated Group to operate all or a portion of its facilities, including the utilization and/or revenues of the Members of the Obligated Group, and consequently, could adversely affect the ability of the Obligated Group to make payments on the Bonds.

Health Care Reform

In March, 2010, the Patient Protection and Affordable Care Act (the "Health Care Reform Act" or the "PPACA") was enacted and approved by the President of the United States. Some of the provisions of the Health Care Reform Act took effect immediately, while others will take effect or will be phased in over time, ranging from a few months following approval to ten years. Because of the complexity of the Health Care Reform Act generally, additional legislation is likely to be considered and enacted over time. The Health Care Reform Act will also require the promulgation of substantial regulations with significant effects on the healthcare industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to healthcare providers are expected to impose new and additional contractual terms and conditions. Thus, the healthcare industry will be subjected to significant new statutory and regulatory requirements and contractual terms and conditions, and consequently to structural and operational changes and challenges, for a substantial period of time.

The comprehensive health care reform mandated by the Health Care Reform Act aims to expand the availability of health insurance coverage, control the costs of health care and improve the manner in which health care is delivered. The Health Care Reform Act requires all individuals to purchase health insurance or pay a fee, with hardship exceptions; substantially expands Medicaid coverage; provides

premium subsidies to certain individuals; imposes certain taxes on individuals and employers; creates insurance pooling mechanisms or state run health insurance exchanges; imposes new requirements on the insurance industry regarding access and coverage; provides for certain cost containment mechanisms and new models of care delivery; and includes provisions designed to reduce Medicare spending and improve the quality of outcomes and health system performance.

The impact of the Health Care Reform Act on the Obligated Group in particular cannot be predicted at this time. Possible impacts on the Obligated Group include, without limitation, significant regulatory changes that increase the cost of operations; increased activity by government agencies regarding fraud, waste and abuse; decreased reimbursements for skilled nursing services from third party payors, including Medicare and Medicaid; significant changes to current payment methodologies for skilled nursing facilities services; and changes to costs and expenses of providing health insurance coverage to skilled nursing facilities employees.

Efforts to repeal or substantially modify provisions of the PPACA continue. On June 28, 2012, the Supreme Court upheld most provisions of the PPACA, while limiting the power of the federal government to penalize states for refusing to expand Medicaid. The Supreme Court ruled on various legal challenges to portions of the PPACA, finding that its individual mandate was constitutional as a valid exercise of Congress' taxing power but that its Medicaid expansion provisions were improperly coercive on the states to the extent existing Medicaid funding was put at risk if a state opted out of the PPACA's expansion of the current Medicaid program. In July 2014, two federal appeals courts issued conflicting rulings with respect to the PPACA on whether the federal government could subsidize health insurance premiums in states that use the federal health insurance exchange. On June 25, 2015, the Supreme Court of the United States issued its opinion in *King v. Burwell* holding that the tax credit subsidies provided in the PPACA apply equally to state-run exchanges and the federal exchange, obviating the potential disparate treatment of program participants nationally. Efforts to repeal or delay the implementation of the PPACA continue in Congress and were a fundamental plank in the Republican Party platform for the 2016 Presidential cycle. On March 6, 2017, two bills (commonly referred to as the American Health Care Act or the "AHCA") were drafted and passed by the House Energy and Commerce Committee and the House Ways and Means Committee, which were intended to be a replacement to the PPACA. On March 24, 2017, the AHCA was initially withdrawn from review and approval by the House of Representatives due to a lack of support but subsequently underwent certain revisions and an amended version of the AHCA was reintroduced and approved by the House of Representatives on May 4, 2017, though it is yet to be voted upon in the Senate. The ultimate outcomes of legislative attempts to repeal or amend the PPACA and other legal challenges to the PPACA are unknown and their impact on the operations of the Obligated Group cannot be determined at this time.

In addition to legislative efforts, on January 20, 2017, President Trump issued an executive order that may be used to prevent enforcement of the individual mandate and the requirement that large employers offer coverage to their full-time workers. This has the potential to cause adverse selection and rapid cost increases in the individual market as people in good health opt out of more expensive coverage and people with high-cost health conditions remain insured. If the individual mandate is not enforced while the current individual market rules remain in place, health insurance issuers will be less able to respond to market conditions with underwriting, product and pricing flexibility and will have greater exposure to material adverse impacts on their finances and operations.

The Health Care Reform Act contemplates that the federal government will reimburse health insurance issuers for cost sharing reductions (i.e., lower deductibles, copays and co-insurance) for low-income individuals enrolled in certain qualified health plans purchased through exchanges. In a case pending in federal court, *House v. Price* (previously known as *House v. Burwell*), a federal district court held that the federal government did not have constitutional authority to pay health plan issuers offering

certain coverage through the exchanges for cost sharing reductions because the U.S. Congress did not appropriate funds for the program. The Obama Administration appealed the case. Upon motion of the U.S. House of Representatives, the U.S. Court of Appeals for the District of Columbia Circuit held the case in abeyance. If the district court is upheld on appeal, or if the current Presidential Administration refuses to pay the cost sharing reductions, then health insurance issuers may not be compensated for cost sharing reductions they provided to their members and may be required to continue to provide, and this could materially impact the operations, financial position or cash flows of such health insurance issuers. Elimination of cost sharing subsidies may also make health insurance less affordable for many members, reducing the number of people who get coverage or use that coverage and disrupting the individual health insurance market. The financial impact of any of these developments on the Obligated Group is unknown.

The full ramifications of changes to the Health Care Reform Act and regulations adopted thereunder will only become apparent over time and through subsequent regulatory and judicial interpretations. Although efforts to legislatively repeal certain provisions of the Health Care Reform Act have thus far been unsuccessful, it is anticipated that efforts to modify the Health Care Reform Act through regulations or by limiting funding will continue. If the AHCA is not enacted into law, legislative actions to repeal or modify all or portions of the Health Care Reform Act could be proposed in the future. Uncertainty remains regarding the continued implementation of the Health Care Reform Act, which creates significant uncertainty in the health insurance and health care markets, which could materially impact the operations, financial position or cash flows of the Obligated Group.

In light of the uncertain regulatory environment and pending litigation, no assurance can be given as to whether the Obligated Group and its ability to make payments under the Loan Agreement will be adversely affected by any future judicial or administrative interpretation with respect to the Health Care Reform Act, or by any future legislation. Management of the Obligated Group is analyzing the Health Care Reform Act and will continue to do so in order to assess the effects of the legislation on current and projected operations, financial performance and the financial condition of the Obligated Group. However, management cannot predict the interim or long-term effects of the Health Care Reform Act on the Obligated Group with any degree of certainty.

Medicare and Medicaid Programs

General. The Obligated Group receives reimbursement for providing skilled nursing care for eligible residents under Title XVIII of the federal Social Security Act (Medicare) and Title XIX of the federal Social Security Act (Medicaid). Medicare is an exclusively federal program and Medicaid is funded by federal and state appropriations. A significant portion of the revenues of the Obligated Group are derived from Medicare and Medicaid.

Medicare. Medicare is a federal governmental health insurance system under which physicians, hospitals and other healthcare providers or suppliers are reimbursed or paid directly for services provided to eligible elderly or disabled persons and certain individuals with end state renal disease. Medicare is administered by the Centers for Medicare and Medicaid Services, or CMS, of the federal Department of Health and Human Services. In order to achieve and maintain Medicare certification, certain healthcare providers, must meet CMS's "Conditions of Participation" on an ongoing basis, certain licensure requirements as determined by the Commonwealth of Pennsylvania and/or ongoing compliance with the standards of a chosen accreditation program, such as those administered by The Joint Commission (the "Joint Commission") or the Health Facilities Accreditation Program ("HFAP").

Subject to certain limitations, Medicare will reimburse nursing care facilities for certain services provided to a beneficiary who has been transferred to a Medicare-certified skilled nursing facility within

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

Under the Medicare program, CMS reimburses skilled nursing facilities on a prospective payment system (“PPS”) methodology, similar to the diagnosis related group prospective payment system for hospitals. Under PPS, facilities are paid a per diem amount, based on formulas discussed below, to care for residents in the facility. Because the payment does not reflect the actual costs associated with individual residents’ care, a facility whose actual costs exceed the per diem payment rate will incur losses for the care of such residents. Medicare requires consolidated billing and the PPS payment rates include most of the costs of providing skilled nursing care services, other than the costs associated with operating approved educational activities. The PPS payment rates include all routine, ancillary (for example, physical, occupational, and speech therapy, drugs and laboratory services directly attributable to individual patients whether provided directly or indirectly by other contracted providers), and capital related (land, building and equipment) costs. Not included in the PPS payment rate are physician services provided to individual patients, certain services provided by nurse practitioners, clinical nurse specialists, physician assistants, psychologists, and certified registered nurse anesthetists, certain dialysis services, certain high cost services such as radiation oncology, hospice care and some transportation and ambulance costs.

The PPS payment rates are based on a federal per diem rate and are updated annually using a market basket index. The federal per diem rate is adjusted to account for the relative resource utilization of different patients based on the intensity of care and the services required to treat a patient. Patients are classified into groups using a classification system of sixty-six (66) groups known as Resource Utilization Groups IV (“RUGs-IV”) based on data from resident assessments and relative weights developed from staff time data. The relative payment weight is applied to the federal per diem rate, along with a wage index modifier reflecting the geographic variation in labor costs, to arrive at the applicable per diem payment for a resident.

The traditional Medicare fee-for-service program (Medicare Parts A and B) reimburses up to 100 days of skilled nursing care per illness after a qualifying hospital stay for treatment of the illness. The first 20 days are covered by Medicare at 100%, after which Medicare requires the patient to contribute a daily co-payment for the remaining 80 days. This co-payment may be covered by a private insurance company through a Medigap plan. However, in the event the patient’s secondary coverage is Medicaid, or the patient has no secondary insurance, the co-payment may not be paid. Medicare allows for certain patient payments that remain unpaid and for which the facility has made certain collection attempts, to be reported as bad debt on Medicare cost reports.

Federal healthcare reform has affected Medicare reimbursement of skilled nursing homes. In July 2012, CMS released the 2012 Nursing Home Action Plan, an action plan that focuses on the goal of further improving nursing home quality. There are multiple initiatives by CMS outlined in the 2012 Nursing Home Action Plan that may impact the Obligated Group’s finances. CMS’ goals include reducing preventable facility acquired conditions and reducing the number of hospital readmissions. Some of the initiatives include value based purchasing demonstration projects, where nursing facility payments may be bundled with hospital payments and other provider payments to encourage utilization control. CMS has adopted similar readmission and facility acquired condition reduction programs for inpatient facilities that are expected to lead to fewer inpatient admissions at hospitals for Medicare patients. Under the Protecting Access to Medicare Act of 2014 signed into law by President Obama on April 1, 2014, CMS is required to establish a value-based purchasing program for skilled nursing facilities by October 1, 2019. The program will be based on a facility’s performance on hospital readmissions.

Changes in Medicare program survey requirements and performance on changing quality of care performance metrics may also impact the Obligated Group's finances.

On August 5, 2016, CMS issued the final rule on 2017 Medicare skilled nursing facility payment rates. The rule updates the payment rates used under the skilled nursing facility PPS for fiscal year 2017. The rule also includes:

- Value-based purchasing provisions for skilled nursing facilities, based on facility performance;
- The 30-day skilled nursing facility all-cause/all-condition hospital readmission measure and adopts that measure for the new skilled nursing facility value-based purchasing program; and
- Changes to the skilled nursing facility quality reporting program, required by the Improving Medicare Post-Acute Care Transformation Act of 2014, to require skilled nursing facilities to report data beginning in Fiscal Year 2018 regarding spending per Medicare beneficiary, discharges to the community, and preventable readmissions, and beginning in FY 2020, to report information regarding drug regimen reviews and attention to identified related issues.

Medicaid. Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration and scope of services; sets the payment rates for services; and administers its own programs.

Under the current Medicaid program, the federal government supplements funds provided by the various states for medical assistance to low-income children, pregnant women, seniors and blind or disabled persons. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

The Health Care Reform Act included a requirement that, effective in 2014, in order for states to receive federal Medicaid funds, they must expand eligibility to all individuals under age 65 with incomes less than 133% of the federal poverty level guidelines. As described above, the Supreme Court held this unconstitutional, limiting the federal Medicaid funds that may be withheld for failure to expand eligibility to the additional Medicaid funding included in the Affordable Care Act. While the Commonwealth of Pennsylvania has expanded Medicaid funding, certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact the amount received by the Obligated Group despite anticipated increased Medicaid enrollment. Further, as noted above, President Trump and the Republican Congress desire to repeal and replace the Health Care Reform Act, but the extent and timing of future changes to the healthcare industry, including any impacts on the Medicaid program and its funding, are unknown.

Since a portion of the Medicaid program's costs in each state are paid by that state, the absolute level of Medicaid revenues paid to the Obligated Group, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing the Commonwealth of Pennsylvania. The actions the Commonwealth of Pennsylvania could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to healthcare providers and suppliers, changes in the amounts of payments that will be made for covered services, changes in the types of services that will be covered under the Medicaid program, and changes

in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the Commonwealth of Pennsylvania could have a material adverse effect upon the Obligated Group's operations and financial results. As such, no assurance can be given that payments under the Medicaid program will be sufficient to cover the operating and capital costs incurred by the Obligated Group in providing services to Medicaid beneficiaries or that further significant changes to the Medicaid program may not be implemented by the Pennsylvania General Assembly.

Pennsylvania's Medical Assistance (or "Medicaid") program is a joint federal-state reimbursement program administered by the Pennsylvania Department of Human Services ("DHS"). Medicaid provides certain healthcare benefits to beneficiaries who are categorically needy (based on financial condition) or meet certain other eligibility requirements for skilled nursing and intermediate care services. Under the PPACA, states have the option to expand Medicaid eligibility to individuals with incomes up to 133% of the federal poverty level. In 2014, Pennsylvania obtained a waiver from the federal government to expand Medicaid eligibility based on a private-market Medicaid program which began on January 1, 2015. In 2015, Pennsylvania's newly elected governor, Tom Wolf, transitioned the state's Medicaid population from the private-market program (known as *Healthy PA*) to an expansion of the traditional Medicaid program, known as *HealthChoices*. *HealthChoices* became available for new enrollees as of April, 2015 and all individuals enrolled in the earlier program were transitioned to the *HealthChoices* program by September 1, 2015.

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

The operating cost component of facility reimbursement is determined based upon the classification of each facility into one of twelve (12) peer groups with similar geographical locations and certified bed complements, and the average operating costs of facilities within such peer group. In determining the resident care costs, a component of the operating costs, the applicable case-mix index for a facility is determined based upon a quarterly snap shot of all of the residents in a facility, and the arithmetic mean of their respective RUGs classifications, which reflects each resident's individual characteristics and clinical needs.

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

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

Medicare and Medicaid Audits

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

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

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

Exclusions from Medicare and Medicaid Participation

The OIG is required to exclude from federally funded governmental program participation, including Medicaid, for not less than five years, any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare and/or Medicaid; any criminal offense relating to patient neglect or abuse in connection with the delivery of health care; felony fraud against any federal, state or locally financed health care program; or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The OIG has the authority to exclude individuals and entities from participation in federal health care programs who are deemed “untrustworthy.” Additionally, there is a prohibition against employing providers and contracting with providers and vendors, including entities and individuals, who are on the OIG exclusion list. HHS also may exclude individuals or entities under certain other circumstances, such as for a conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion means that no Medicare and/or Medicaid program payments may be made for any services rendered by an excluded party. In May 2014, the OIG proposed to implement new changes to expand its authority to exclude individuals and entities from participation in federal health care programs, among other changes. On January 19, 2017, the OIG issued a final rule, under which the OIG expanded its exclusion authority.

Any action to exclude the Members of the Obligated Group from Medicare and/or Medicaid could have a significant adverse impact on the Members of the Obligated Group because no program payments can be made to any provider who is excluded. Additionally, the Members of the Obligated Group make efforts to ensure they are not contracting with or employing providers or vendors excluded from federally funded governmental program participation, including Medicaid. The Members of the Obligated Group believes their efforts are in compliance with the requirement that they ensure they do not employ or contract with any individual or vendor who is excluded from federal funded program participation, but there can be no assurance that these efforts will not fail to detect an individual provider or vendor employed or contracted by the Members of the Obligated Group who is excluded from federally funded governmental program participation. Such failure could have an adverse impact on the Members of the Obligated Group.

Fraud and Abuse Laws.

The Federal Anti-Kickback Law. The federal Anti-Kickback Law (“AKS”) is a criminal statute that prohibits the knowing and willful offer, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for the provision of goods or services that may be reimbursed under any federal health care program. The scope of the AKS is very broad, and it potentially implicates many practices and arrangements common in the health care industry. Violation of the AKS is a felony, subject to a maximum fine of \$25,000 for each criminal act, imprisonment for up to five years, both a fine and imprisonment, civil monetary penalties of up to \$54,372 per violation or damages equal to three times the amount of the prohibited remuneration, as well as exclusion from the federal health care programs. The Health Care Reform Act clarified the intent requirement to provide that a person need not have actual knowledge of the AKS or specific intent to commit a kickback violation to violate the statute. The result of this change is that the government will have less of a burden to prove a violation under the AKS. In addition, a claim that includes items or services resulting from a violation of the AKS is a false claim for purposes of the federal civil False Claims Act (discussed below).

HHS has issued regulations from time to time setting forth safe harbors that protect limited types of arrangements from prosecution under the statute. Arrangements that do not comply with the strict requirements of the safe harbors, while not necessarily illegal, face an ongoing risk of investigation or prosecution due to the broad language of the statute. The safe harbors described in the regulations are narrow and do not cover many common economic relationships between and among hospitals, physicians and other health care providers. . Given the narrowness of the safe harbor regulations and the scarcity of the case law interpreting the AKS, there can be no assurances that the Members of the Obligated Group will not be found to have violated the AKS, and if such a violation were found, that any sanctions imposed would not have a material adverse effect upon the operations and financial conditions of the Obligated Group.

Federal False Claims Act. The federal criminal False Claims Act (“criminal FCA”) makes it illegal to submit or present a claim known to be false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and a fine. The federal civil False Claims Act (“civil FCA”), one of the government’s primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit false or fraudulent claims for payment to any federal agency through actions taken by the U.S. Attorney’s Office or the Department of Justice. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government.

Under the civil FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims or failing to refund known overpayments.

Civil FCA violations have been alleged solely on the existence of alleged kickback or self-referral arrangements. Even in the absence of evidence that services were not provided or not medically necessary, these cases argue that the improper business relationship tainted the subsequently submitted claims, thereby rendering the claims false under the civil FCA. In 2009, the scope of the civil FCA was expanded to include so-called “reverse false claims,” where a provider that knowingly retains a government overpayment is subject to FCA liability. The Health Care Reform Act further requires that any overpayment be reported and repaid within 60 days after the date on which overpayment was identified. Failure to do so will be considered a *per se* false claim under the civil FCA. The Health Care Reform Act also modified the FCA by extending the FCA to AKS violations.

Violations of the civil FCA can result in penalties up to triple the actual damages incurred by the government and also monetary penalties ranging from \$10,781 to \$21,563 per claim. Private individuals may also bring suit under the qui tam provisions of the civil FCA and may be eligible for to share in the government’s recovery for providing information that leads to recoveries or sanctions that arise in a variety of contexts in which health care providers operate. The Health Care Reform Act also eased the requirements for private individuals to bring suit under the civil FCA. In recent years there has been a significant increase in the number of whistleblower allegations filed under the civil FCA.

While the Members of the Obligated Group are not aware of any violations of the criminal FCA or civil FCA, these statutes pose significant risks to all health care organizations. There can be no assurances that the Members of the Obligated Group will not be charged with, or found to have violated, the criminal FCA or civil FCA and, if so, that any fines or other penalties would not have a material adverse effect on their operations.

Civil Monetary Penalties Law. The Civil Monetary Penalties Law under the Social Security Act (“CMP Law”) provides for the imposition of civil monetary penalties for many reasons, including against any person who submits a claim to Medicare, Medicaid or any other federal health care program that the person knows or should know is for items or services not provided as claimed; is false or fraudulent; is for services provided by an unlicensed or uncertified physician or by an excluded person; represents a pattern of claims that are based on a billing code higher than the level of service provided; or is for services that are not medically necessary. The CMP Law, among other things, also prohibits hospitals from paying physicians to limit medically necessary care. Penalties under the CMP Law include up to \$10,000 for each item or service claimed, and damages of up to three times the amount claimed for each item or service, and exclusion from participation in the federal health care programs. Depending on the type of violation, different (and in some cases, higher) penalties may apply

Health care providers may be found liable under the CMP Law even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. The imposition of civil monetary penalties could have a material adverse impact on the Obligated Group’s financial condition.

Stark Self-Referral and Payment Prohibitions. The federal Ethics in Patient Referrals Act (known as the “Stark Law”) prohibits the referral of patients for certain “designated health services” (which include inpatient and outpatient hospital services) payable by Medicare to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship unless an exception applies. The statute also prohibits the entity furnishing the “designated health services” from billing the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral. The law requires reporting of financial relationships to CMS. The Stark Law is a strict liability statute.

Violations of the Stark Law can result in refunds of the amounts collected for services rendered pursuant to a prohibited referral, civil monetary penalties of up to \$23,863 for each claim arising out of such referral, and exclusion from the Medicare and Medicaid programs. The Stark Law also provides for a civil penalty of up to \$159,089 for entering into an arrangement with the intent of circumventing its provisions. In certain circumstances, knowing violations may also create liability under the FCA. Due to the complexity of the Stark Law and related regulatory guidance, there can be no assurance that the Members of the Obligated Group will not be found to have violated the Stark Law. If so, a sanction imposed based on such a violation could have a material adverse effect on the operations and/or financial condition of the Obligated Group.

State Fraud and Abuse Laws. In addition to federal fraud and abuse laws, states also have a variety of laws related to kickbacks and referrals, which may be broader than the federal laws. Pennsylvania does not have a state law similar to the Stark Law that prohibits self-referrals in all circumstances, but it has laws and regulations prohibiting kickbacks, and a Workers' Compensation Act and Medicaid regulations, both of which have self-referral restrictions similar to the federal Stark Law.

The Pennsylvania Workers' Compensation Act prohibits any health care provider from referring a person for physical therapy, rehabilitation and certain other health care services to an entity in which the provider has a financial interest. The Pennsylvania Workers' Compensation Act also prohibits any entity from submitting a claim for payment for any service furnished pursuant to a prohibited referral. Regulations implementing the Pennsylvania Workers' Compensation Act, however, exempt from the Pennsylvania Workers' Compensation Act referrals permitted under any of the Stark Law exceptions or the AKS safe harbors. Violations of the Pennsylvania Workers' Compensation Act referral restrictions may subject the provider to criminal penalties, civil monetary penalties and loss or suspension of licensure.

In addition to the self-referral restrictions in the Pennsylvania Workers' Compensation Act, the Pennsylvania Medicaid regulations prohibit a participating provider from referring a Medicaid recipient to an independent laboratory, pharmacy, radiology or other ancillary medical service in which the practitioner has an ownership interest. While the Members of the Obligated Group are not aware of any violations of applicable state fraud and abuse laws by the Members of the Obligated Group, if violations of state fraud and abuse laws were found to have occurred, any penalties or sanctions imposed could have a material adverse effect upon the future operations and financial condition of the Obligated Group.

HIPAA. Congress enacted the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") as part of a broad healthcare reform effort. Among other things, HIPAA established a program administered jointly by the Secretary of HHS and the United States Attorney General designed to coordinate federal, state and local law enforcement programs to control fraud and abuse in connection with the federal healthcare programs. In addition, in HIPAA, Congress greatly increased funding for healthcare fraud enforcement activity, enabling the OIG of HHS to substantially expand its investigative staff and the Federal Bureau of Investigation to plan to quadruple the number of agents assigned to healthcare fraud. The result has been a dramatic increase in the number of civil, criminal and administrative prosecutions for alleged violations of the laws relating to payment under the federal healthcare programs, including the Anti-Kickback Law and the FCA. This expanded enforcement activity, together with the whistleblower provisions of the FCA, have significantly increased the likelihood that all healthcare providers, including the Obligated Group, could face inquiries or investigations concerning compliance with the many laws governing claims for payment and cost reporting under the federal healthcare programs.

In addition to the expanded enforcement activity noted above, HIPAA also established, among other things, a program to address the confidentiality and security of individuals' health information (the

“Administrative Simplification” provisions). The Administrative Simplification provisions apply to healthcare providers, health plans, and healthcare clearinghouses (collectively “Covered Entities”). In 2013, HHS issued final regulations strengthening many aspects of the privacy and security rules under HIPAA so that they are more aligned with the Health Information Technology for Economic and Clinical Health Act (“HITECH Act”). The final rules (the “Omnibus Rule”) change certain requirements for covered entities and establish rules that now apply directly to their vendors that handle protected health information and qualify as business associates under HIPAA. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA’s confidentiality and electronic data security requirements extend not only to patient medical records, but also to a wide variety of healthcare clinical and financial transactions where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability. Various requirements of HIPAA apply to virtually all healthcare organizations (including continuing care retirement communities), and significant civil and criminal penalties may result from a failure to comply with the Administrative Simplification regulations.

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

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

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

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The HITECH Act revises the civil monetary penalties associated with violations of HIPAA, as well as provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases, through a damages assessment of \$100 per violation or an injunction against the violator. The revised civil monetary penalty

provisions establish a tiered system, ranging from a minimum of \$100 per violation for an unknowing violation to \$1,000 per violation for a violation due to reasonable cause, but not willful neglect. For a violation due to willful neglect, the penalty is a minimum of \$10,000 or \$50,000 per violation, depending on whether the violation was corrected within 30 days of the date the violator knew or should have known of the violation. There is a \$1.5 million maximum total penalty per calendar year for the same type of violation. Further, the HITECH Act requires HHS to promulgate a regulation to distribute a portion of civil monetary penalty proceeds directly to harmed individuals which may serve as an incentive for individuals to file complaints. A person who knowingly obtains or discloses protected health information in violation of HIPAA may face a criminal penalty of up to \$50,000 and up to one-year imprisonment. The criminal penalties increase to \$100,000 and up to five years imprisonment if the wrongful conduct involves false pretenses, and to \$250,000 and up to 10 years imprisonment if the wrongful conduct involves the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm.

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

Regulation of Continuing Care Retirement Communities in Pennsylvania

Continuing care retirement communities in Pennsylvania are subject to the provisions of the Pennsylvania Continuing-Care Provider Registration and Disclosure Act (the “Continuing Care Act”) and regulations promulgated by the Pennsylvania Department of Insurance (“PID”) thereunder. The Continuing Care Act provides that no provider may engage in the business of providing continuing care in the Commonwealth of Pennsylvania without applying for and receiving a Certificate of Authority from the PID.

The Continuing Care Act sets forth various requirements relative to the operation of continuing care facilities such as (i) providing to each prospective resident a disclosure statement setting forth material information with respect to the facility and the operation of the facility; (ii) including certain provisions in resident agreements for continuing care; and (iii) setting aside reserves in specified amounts to ensure that the facility will be able to meet its contractual obligations to residents. Each facility is required to establish and maintain liquid reserves in an amount required by the Continuing Care Act. The provider is required to notify the Pennsylvania Insurance Commissioner if it plans on 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.

The Continuing Care Act also provides for civil and criminal penalties for violations of the Act and for certain remedies if a continuing care facility encounters financial difficulties. Further, the Continuing Care Act empowers the Pennsylvania 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 property of a provider or facility to secure the obligations of the provider pursuant to its contracts with its residents; (ii) revoking the Certificate of Authority for the facility; or (iii) seeking the appointment of a trustee to rehabilitate or liquidate a facility. The Members of the Obligated Group believe their operations and their Communities are in compliance with the Continuing Care Act. A failure to comply could cause the Pennsylvania Insurance Commissioner to take such actions to protect the interests of the residents of the Communities, which could adversely affect the financial condition of the Obligated Group.

Regulation of Skilled Nursing Industry in Pennsylvania

Long-term care nursing facilities which provide either skilled nursing care or intermediate nursing care are licensed medical facilities that are inspected and licensed by the Pennsylvania Department of Health annually. Nursing homes must comply with both state and federal laws and regulations. Nursing homes must comply with multiple regulations regarding management of the facility, residents' rights, compliance with the federal life-safety code, physical plant and equipment standards, housekeeping and maintenance standards, nutritional and food safety standards & regulations, resident care plans and service standards, and staffing and training requirements.

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 the Obligated Group. Failure to comply with current or future regulatory requirements could also result in restrictions on admission, the revocation of licensure, decertification or the closure of the skilled nursing facilities of all or certain Members of the Obligated Group.

Licensing and Certification

Long-Term Care Nursing Facility. The skilled nursing facilities of the Members of the Obligated Group are subject to annual licensure by the Pennsylvania Department of Health. The continued licensure of such facilities depends upon many factors, including, among other things, accommodations, equipment, services, patient care, safety, personnel, physical environment and accounting policies, procedures and controls. Federal, state and local agencies survey nursing homes regularly to determine whether such facilities comply with governmental operating and health standards and conditions of participation in government reimbursement programs. Such surveys include reviews of patient utilization and inspection of standards and patient care. The Members of the Obligated Group will attempt to ensure that their facilities comply with all such applicable standards and conditions. However, to the extent these standards are not met, the licenses of any or all of the skilled nursing facilities of the Members of the Obligated Group could be limited, suspended or revoked.

Personal Care Homes. Personal care homes are designed to provide safe, comfortable and supportive residential settings for adults who do not require the services of a skilled nursing facility but who do require assistance or supervision with activities of daily living. Personal care homes must comply with regulations regarding requirements for fire safety, staff training and education, nutrition and meal preparation, resident health and medical care, personal care service delivery, physical site conditions, residents' rights, abuse and incident reporting, and other factors affecting the health, safety and well-being of residents. Personal care homes are not required to provide nursing services.

Personal care home licenses must be renewed annually. To determine compliance with the regulations, DHS conducts annual unannounced inspections of licensed facilities, and may conduct additional announced or unannounced inspections. Failure to comply with regulatory requirements could result in the imposition of various penalties, including fines and the revocation or non-renewal of licensure.

Other Risk Factors

Patients. In addition to general malpractice liability risks related directly to the diagnosis and treatment of patients, a health care provider's relationship with patients involves risks which follow from the housing and feeding of patients, the movement and transfer of patients, rights accorded to or withheld from patients, making, storing, and disclosing patient records, and other facets of the relationship between a skilled nursing facility and its patients. Implicit in these relationships are general liability risks,

business and contractual risks, and risks flowing from a wide variety of complex rules, regulations and policies which govern the relationships. Liability to patients may arise from matters such as equipment failure, building dangers, inappropriate discharge or transfer of patients, unauthorized use or disclosure of patient records, or failure to provide certain information or notification to patients. Certain of these risks may be insured, and others may not be. The Members of the Obligated Group could be affected by such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group. The Members of the Obligated Group are not presently aware of any actions arising from such risks which would result in material adverse consequences.

Other Payors. Although private insurance is not a major source of reimbursement for long-term care services, the revenues of the Members of the Obligated Group could be impacted by changes in the payment methodologies and coverage decisions of private insurance companies. In addition, an increase or decrease in the prevalence of long-term care insurance policies may also impact the Obligated Group's revenues.

Competition and Factors Decreasing Utilization; Population Changes. Competition from other skilled nursing facilities, assisted living communities, adult day care providers, and continuing care retirement communities now or hereafter located in the Obligated Group's service areas could adversely affect operations. In addition, a shift to community-based long-term care services and efforts by insurers and governmental agencies to reduce utilization of skilled nursing facility services could adversely affect the operations of the Obligated Group. The Obligated Group could also be adversely affected by economic trends and changes in the demographics of its service areas. See APPENDIX A – "MARKET METHODOLOGY AND COMPETITION" and APPENDIX C – "FINANCIAL FEASIBILITY STUDY – Summary of Significant Forecast Assumptions and Accounting Policies – Characteristics of the Market Area" for information regarding the competition of the Members of the Obligated Group and demographics of their respective service areas.

The Obligated Group's costs and revenues could be substantially affected by future changes in the number and mix of both patients and services brought about by increased competition among health care providers and insurers. This competition could take several different forms, including:

- (a) competition among providers to sell their services at lower prices;
- (b) competition from other providers which draws patients from the Obligated Group's service areas to offer new services or expand existing services or to reduce charges or to increase their market share within the Obligated Group's primary and secondary markets; and
- (c) competition from home health agencies and other community-based service providers.

Labor Relations. Unionization of employees or a shortage of qualified professional personnel could cause an increase in payroll costs. The Obligated Group cannot control the prevailing wage rates in its service areas and any increase in such rates will directly affect its costs of operation. While none of the employees of the Members of the Obligated Group are currently represented by labor unions, certain labor unions have made efforts in the past to organize employees of the Members of the Obligated Group and gain recognition. The Obligated Group cannot anticipate when, or if, these activities will continue in the future.

Insurance and Other Insurance Costs. The ability of, and the cost to, the Obligated Group to insure or otherwise protect itself against professional liability, fire, automobile and general

comprehensive liability claims may affect the operations of the Obligated Group. See APPENDIX A – “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP – ADDITIONAL INFORMATION – Summary of Insurance Information” for a discussion of the Obligated Group’s current insurance coverage. The inability to insure against punitive damage awards is also a risk. One or more substantial medical malpractice claims arising from the corporate or business activities of the Members of the Obligated Group or other actions seeking punitive or other damages could materially and adversely affect the consolidated financial results and condition of the Obligated Group.

Tax-Exempt Status. Each Member of the Obligated Group is exempt from federal income taxation under Section 501(c)(3) of the Code, as a subordinate organization under the group exemption of Wesley. As exempt organizations, each of the Members of the Obligated Group are subject to a number of requirements affecting their operation. The failure of each of the Members of the Obligated Group to remain qualified as an exempt organization (or the failure of Wesley to maintain its group exemption) could affect the exclusion from gross income for federal income tax purposes of the interest on the Series A Bonds. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Members of the Obligated Group of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Members of the Obligated Group, and thereby the revenues of the Obligated Group.

In order to maintain its tax-exemption, a 501(c)(3) organization: may not permit inurement of its earnings to any private person; may not provide benefits to any private person other than as a necessary consequence of accomplishing the activities giving rise to its exemption; may engage in lobbying activities to only a limited extent; and may not engage at all in political activities. Health care providers which are 501(c)(3) organizations are subject to the additional requirements that they comply with the federal Medicare and Medicaid fraud and abuse laws and provide a sufficient amount of “community benefit” to the persons they serve. Typical examples of community benefit rendered by health care providers include care of the indigent, treatment of Medicare and Medicaid patients and providing access to facilities and services to all patients on a non-discriminatory basis.

In recent years, the Internal Revenue Service (the “IRS”) has devoted significant resources to the auditing of large, tax-exempt health care systems to determine whether the 501(c)(3) organizations of such systems meet the general criteria for tax-exempt status. These audits focus on the relationship between tax-exempt health care providers and private individuals, particularly physicians; the amount of charity care and community benefits provided; compliance with applicable laws, especially the Medicare and Medicaid fraud and abuse laws; political activity by 501(c)(3) organizations; and possible violations of the prohibitions against private inurement and/or private benefit. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an audit of the Members of the Obligated Group could result in additional taxes, interest and penalties. An audit could ultimately affect the tax-exempt status of the Members of the Obligated Group.

The sanctions available to the IRS if a 501(c)(3) organization violates the private inurement or private benefit rules are not only revocation of tax-exempt status, but also monetary penalties on the 501(c)(3) organization and/or interested individuals. It is impossible to predict what additional legislation or IRS guidelines or standards might be promulgated with respect to the maintenance of tax-exempt status by 501(c)(3) organizations.

Access to Tax-Exempt Bond Market. From time to time, Congress has considered and is considering revisions to the Code that may limit access to the tax-exempt debt market to the Authority or borrowers such as the Members of the Obligated Group. On April 26, 2017, the Trump administration announced a tax reform proposal aimed at reducing tax rates, notably on corporations and businesses. While the administration’s current proposal does not call for the elimination of tax-exemption

qualification for obligations such as the Series A Bonds, such legislation, if enacted into law, may have the effect of increasing the capital costs of the Members of the Obligated Group for obligations issued in the future.

Federal Laws Regarding Access to Care. Federal laws require skilled nursing facilities to establish and maintain identical policies and practices regarding transfer, discharge, and the provision of services for all individuals regardless of source of payment, and limits the circumstances under which a resident can be involuntarily moved out of a Medicare-certified skilled nursing facility. Such laws may make it more difficult for the operator of a skilled nursing facility to maintain a desired proportion of private pay patients.

Local Governmental Challenges to Property-Tax Exemptions

Local government in many states have significantly increased efforts to challenge the exempt status of nonprofit corporations' real property. These challenges generally have been based on either nonuse of real property for the charitable object of the tax-exempt organization or inadequate levels of public benefit or uncompensated care. In Pennsylvania, these challenges have been based primarily on the organizations' status as an "institution of purely public charity" as described in the Pennsylvania Constitution, notwithstanding the fact that Pennsylvania nonprofit healthcare providers have historically been viewed as exempt from such taxes. Several of these challenges have resulted in litigation, with differing results. In some cases, however, the litigation has resulted in settlements where the tax-exempt organizations have agreed to pay to the local taxing authority payments in lieu of taxes and, in at least one instance, revocation of the state real property tax exemption of the organization. Pennsylvania's Institutions of Purely Public Charity Act ("IPPCA") adopts a five-part test similar to that developed by the courts as the criteria for determining if an organization is an "institution of purely public charity." A 2012 decision of the Pennsylvania Supreme Court (*Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Bd. of Assessment Appeals*, 615 Pa. 463 (Pa. 2012)) declared that IPPCA is subject to the determination of the courts in Pennsylvania as to the meaning of "institution of purely public charity" under the Pennsylvania Constitution, and that courts will follow Pennsylvania case law in such determination, not necessarily the test set forth in the IPPCA. This may further increase the efforts by local governments to challenge the exempt status of real property.

It is not possible to predict the scope or effect of future legislation or regulatory actions with respect to taxation of nonprofit corporations, since such actions and proposals have been vigorously challenged and contested. There can be no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Members of the Obligated Group by requiring the Members of the Obligated Group to pay additional income or real estate taxes.

The Nature of the Income of the Elderly

A large percentage of the monthly income of some residents of the Obligated Group's facilities will be fixed income derived from pensions and social security. If, due to inflation or otherwise, substantial increases in 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 increase fees. No assurance can be given that future events, including life expectancy, will not result in residents encountering difficulty in paying fees.

Economic Factors Beyond the Obligated Group's Control

Apart from competition and other business risks facing the Obligated Group, the financial performance of the Obligated Group will depend to some degree upon factors beyond the control of its management, including general national and local economic conditions (*e.g.*, inflation, unemployment, population growth and distribution trends) and federal, state and local taxation and laws and regulations affecting the Obligated Group. Additionally, any deterioration in the local and/or regional housing markets can have a significant impact on the ability of the Members of the Obligated Group to attract residents.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, provider operations or facilities and properties owned or operated by providers. The types of regulatory requirements faced by health care providers include, but are not limited to: air and water quality control requirements; waste management requirements; regulatory requirements applicable to asbestos, polychlorinated biphenyl and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at facilities of health care providers and requirements for training employees in the proper handling and management of hazardous materials and wastes.

In their role as owners and/or operators of properties or facilities, health care providers may be subject to liability for investigating and remedying any hazardous substances which have come to be located on the property, as well as for any such substances that may have migrated off of the property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care 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 and/or increase their costs; may result in legal liability which could in turn result in significant damages, injunctions or fines and may result in investigations, administrative proceedings, penalties or other governmental agency actions.

Affiliations, Merger, Acquisition and Divestiture

Members of the Obligated Group may evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Members of the Obligated Group review the use, compatibility and business viability of many of its operations, and from time to time the Members of the Obligated Group may pursue changes in the use of, or disposition of, some facilities. Likewise, the Members of the Obligated Group occasionally receive offers from, or conduct discussions with, third parties about the potential acquisition of operations and properties of the Members of the Obligated Group, or about the potential sale of some of the operations or property which are currently conducted or owned by the Members of the Obligated Group. Discussions with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the Borrowers, are held from time to time with other parties. As a result, it is possible that the current organization and assets of the Obligated Group may change from time to time. The ability of the management of the Obligated Group to integrate affiliation targets and to otherwise execute the strategic plan of the Obligated Group will have a material impact on the financial results of the Obligated Group.

Realization of Value on the Existing Facilities

The facilities mortgaged by the Obligated Group are not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer or lessee for the Obligated Group's facilities if it were necessary to foreclose. Thus, upon any default by the Obligated Group, it may not be possible to realize the amount of the Bonds allocable to the Obligated Group from a sale or lease of its facility.

Other Factors Affecting Health Care Facilities and Senior Living Communities

In the future, the following factors, among others, may affect the operations and financial performance of health care facilities and senior living communities, including those operated by the Obligated Group, to an extent that cannot be determined at this time:

- (a) Future medical and scientific advances, changes in third-party reimbursement programs, preventive medicine, improved occupational health and safety, and improved community-based care, all of which could result in decreased usage of the facilities of the Obligated Group.
- (b) Possible introduction and adoption in the Commonwealth of Pennsylvania of legislation or other requirements (private or governmental) which would establish a rate-setting agency with statutory control over skilled nursing facility costs and rates or which would require the Obligated Group to justify the appropriateness of existing medical services on the basis of national or Commonwealth of Pennsylvania criteria.
- (c) An inflationary economy and difficulties in increasing room charges and other fees, while at the same time maintaining the amount and quality of health services, may affect the ability of the Obligated Group to maintain sufficient operating margins.
- (d) Imposition of wage and price controls for the health care industry could affect the ability of the Obligated Group to maintain sufficient operating margins.
- (e) Demand for the services of the facilities operated by the Obligated Group might be reduced if the population residing in the service areas served by the Obligated Group should decline.
- (f) Increased unemployment or other adverse economic conditions in the service area served by the Obligated Group could increase the proportion of patients who are unable to pay fully for the cost of their care.
- (g) Unionization of some or all of the employees of the Obligated Group could increase operating expenses.
- (h) Employee strikes and other adverse labor actions could result in a substantial reduction in revenues without corresponding decreases in costs.
- (i) The possible inability to obtain future governmental approvals to undertake projects which the Obligated Group deems necessary to remain competitive as

to rates and charges and the quality and scope of care may adversely affect them.

- (j) Cost and availability of professional medical malpractice liability insurance to providers and physicians in the Commonwealth of Pennsylvania could increase operating expenses and could result in increased exposure to liability.
- (k) Increased costs of attracting and retaining, or decreased availability of, a sufficient number of physicians, registered nurses, and other skilled and unskilled health care personnel may impact the amount and quality of services.

No Adjustment of Interest Rate Upon Loss of Tax Exemption on the Bonds

The rate of interest on the Series A Bonds is not subject to adjustment by reason of the interest on the Series A Bonds being included in gross income for purposes of federal income taxation, nor are the Series A Bonds subject to mandatory tender or redemption under such circumstances. Such event could occur if any of the Tax-Exempt Obligated Group Members (or any subsequent owner or user of the Project) loses its status under Section 501(c)(3) of the Code or otherwise does not comply with the provisions of the Tax Compliance Agreement and the provisions in certain other documents that are designed, if complied with, to satisfy the continuing compliance requirements of the Code in order for the interest on the Series A Bonds to remain excludible from gross income for purposes of federal income taxation.

Additional Indebtedness

The Master Indenture permits the Obligated Group to incur additional Indebtedness which may be equally and ratably secured with the Series 2017 Master Notes. Any such additional Indebtedness would be entitled to share ratably with the holders of all Master Notes issued under the Master Indenture in any monies realized from the exercise of remedies in the event of a default by the Obligated Group and in the proceeds of certain insurance and condemnation awards. There is no assurance that, despite compliance with the conditions upon which additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Master Notes may not be materially adversely affected upon the incurrence of additional Indebtedness.

Early Redemption

Purchasers of Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold such a bond trading at a price in excess of par, should consider the fact that the Bonds are subject to early redemption under certain conditions set forth in the Bond Indenture.

Non-Investment Grade Rating; Secondary Market for the Bonds

The absence of a credit rating of BBB- or higher (considered to be “investment grade”) may adversely affect the market for the Bonds. There can be no assurance that there will be a secondary market for the Bonds and, although the Underwriter contemplates making a secondary market for the Bonds, from time to time there may be no market for them depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of the operations of the Members of the Obligated Group. The Bonds should therefore be considered to be long-term investments in which funds are committed to maturity.

CERTAIN TAX MATTERS

Federal Tax Exemption – Series A Bonds

Concurrently with the delivery of the Series A Bonds, Bond Counsel will deliver its opinion to the effect that, under existing law, as enacted and construed on the date of such opinion, interest on the Series A Bonds is excluded from the gross income of the Beneficial Owners thereof for federal income tax purpose, and is not a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Series A Bonds is included in “adjusted current earnings” for purposes of computing alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax.

Certain Federal Tax Considerations – Series A Bonds

Collateral Federal Tax Consequences. Ownership of the Series A Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Series A Bonds. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Series A Bonds. The nature and extent of the tax benefit to a taxpayer of ownership of the Series A Bonds will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Series A Bonds should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Series A Bonds.

Original Issue Premium. The initial public offering price of certain Series A Bonds may be greater than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such Bond and the stated redemption price at maturity is “original issue premium.” For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series A Bond through reductions in the Beneficial Owner's tax basis for such Series A Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series A Bond rather than creating a deductible expense or loss. Purchasers of the Series A Bonds should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of any Series A Bonds with original issue premium.

Sale and Disposition of the Series A Bonds. Beneficial Owners of any Series A Bonds should consult their own tax advisors concerning the tax consequences of the sale, disposition or redemption thereof prior to maturity.

Continuing Compliance of the Borrowers and the Authority. The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series A Bonds. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the Series A Bonds are to be invested and which may require that certain excess earnings on investments made with the proceeds of the Series A Bonds be rebated on a periodic basis to the United States. The Borrowers and the Authority will make certain representations and undertake certain agreements and covenants in the Loan Agreement, and in a tax compliance agreement to be delivered concurrently with the original issuance of the Series A Bonds, designed to ensure compliance

with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of the Borrowers to comply with such covenants and agreements could result in the interest on the Series A Bonds being included in the gross income of the Beneficial Owners for federal income tax purposes, in certain cases retroactive to the date of original issue of the Series A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and the future compliance by the Borrowers and the Authority with their respective covenants and agreements. Moreover, Bond Counsel has not undertaken to evaluate, determine or inform any person, including any Beneficial Owner of the Series A Bonds, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Bond Counsel, would adversely affect the value of, or tax status of the interest on, the Series A Bonds.

Qualified 501(c)(3) Status of the Borrower. In rendering its opinion as to the tax-status of the Series A Bonds for federal income tax purposes, Bond Counsel will further rely upon representations of the Borrowers and the opinion of Saul Ewing LLP, counsel for the Borrowers, with respect to the qualification of each Borrower as a charitable organization described in Section 501(c)(3) of the Code. Such opinion of counsel for the Borrowers will be subject to customary qualifications and limitations and will speak only as of its date. The failure of the Borrowers to be organized and to remain qualified as so-called “501(c)(3) organizations,” and to conduct their activities (and, in particular, their activities with respect to the facilities financed or refinanced with the proceeds of the Series A Bonds) in a manner that is substantially related to their charitable purpose could also result in the interest on the Series A Bonds issued for the benefit of the Borrowers being included in the gross income of the Beneficial Owners thereof for federal income tax purposes, in some cases retroactive to the date of their original issuance.

Certain Tax Matters Relating to the Series B Bonds

General Matters. Interest on the Series B Bonds is included in gross income for federal income tax purposes.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series B Bonds should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the Series B Bonds as well as gain on the sale of a Series B Bond.

Sales or Other Dispositions. If an owner of a Series B Bond sells the Series B Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such Series B Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series B Bond should consult its own tax advisor concerning the circumstances in which such Series B Bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Series B Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances. Owners of such Series B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Series B Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series B Bonds, if such owner, upon issuance of the Series B Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Series B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Series B Bonds owned by foreign investors. In those instances in which payments of interest on the Series B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series B Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series B Bond incurs acquisition indebtedness with respect to such Series B Bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series B Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and

diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Authority, the Borrower or any dealer of the Series B Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series B Bonds are acquired by such plans or arrangements with respect to which the Authority, the Borrower or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series B Bonds. The sale of the Series B Bond to a plan is in no respect a representation by the Authority, the Borrower or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Original Issue Discount on Series B Bonds

In general, if original issue discount is greater than a statutorily defined *de minimis* amount, an owner of a Series B Bond must include in federal gross income the daily portion of original issue discount, as it accrues and regardless of the holder's method of accounting. Purchasers of the Series B Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of any Series B Bonds with original issue discount.

Pennsylvania Tax Matters

Concurrently with the issuance of the Bonds, Bond Counsel will deliver its opinion to the effect that the Bonds of each series are exempt from personal property taxes in Pennsylvania, and the interest on the Bonds is exempt from Pennsylvania personal income taxes and the Pennsylvania corporation net income tax. Bond Counsel has not opined as to whether interest on the Bonds is subject to state or local income taxation in jurisdictions other than Pennsylvania; interest on the Bonds may or may not be subject to state or local income taxation in jurisdictions other than Pennsylvania under applicable state or local laws. Each purchaser of the Bonds should consult its own tax advisor regarding the tax-exempt status of the interest on the Bonds in a particular state or local jurisdiction other than Pennsylvania.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest for federal tax purposes on the Series A Bonds to some extent for high-income individuals. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

ABSENCE OF LITIGATION AFFECTING THE BONDS

The Authority

There is not now pending, or to the knowledge of the Authority threatened, any litigation that seeks to enjoin the issuance or delivery of the Bonds or questions or affects the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Authority to their respective offices is being challenged or questioned. There is not now pending, or to the knowledge of the Authority threatened, any litigation which in any manner questions the right of the Authority to enter into the Bond Indenture with the Bond Trustee, or the Loan Agreement with the Borrowers, or to secure the Bonds in the manner provided in the Bond Indenture.

The Obligated Group

There is not now pending any litigation contesting the plan of finance or the ability of the Borrowers to enter into the Loan Agreement or the Members of the Obligated Group to enter into the Master Indenture. No litigation or proceedings are pending or, to the knowledge of the Members of the Obligated Group, threatened against them other than litigation and proceedings which if adversely determined would not, in the opinion of management of the Obligated Group, materially adversely affect the financial condition or results of operations of the Obligated Group. See APPENDIX A hereto under the caption “ADDITIONAL INFORMATION – Litigation.”

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and the exclusion of interest on the Series A Bonds from gross income for federal income tax purposes (see “CERTAIN TAX MATTERS” herein) are subject to the approving legal opinion of Drinker Biddle & Reath LLP, Bond Counsel. A signed copy of that opinion, in substantially the form included as Appendix F hereto, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Authority, the Bond Trustee and the Underwriter at the time of such original delivery. Bond Counsel’s opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall not create any implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

Certain legal matters will be passed upon for the Borrowers and the Obligated Group by their counsel, Saul Ewing LLP, and for the Underwriter by Hawkins Delafield & Wood LLP.

FEASIBILITY CONSULTANTS

The financial forecast prepared by management of the Obligated Group, included as part of the Financial Feasibility Study, included in Appendix C hereto, has been examined by the Feasibility Consultant, Dixon Hughes Goodman LLP, independent certified public accountants, as stated in their report appearing in Appendix C and is included in reliance on their report. As stated in the financial forecast, there will usually be differences between the forecasted and the actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The Financial Feasibility Study should be read in its entirety. See APPENDIX C – “FINANCIAL FEASIBILITY STUDY.”

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of December 31, 2016 and 2015 and December 31, 2015 and 2014 included in Appendix B of this Official Statement have been audited by CliftonLarsonAllen, independent accountants, as stated on their reports appearing herein.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) has agreed, subject to the terms and provisions of the Bond Purchase Agreement among the Authority, the Obligated Group, and the Underwriter (the “Purchase Agreement”), to purchase all of the Series A Bonds from the Authority at a purchase price of \$95,857,601.21 (representing the par amount of \$95,185,000.00, plus original issue premium of \$2,021,142.15, less an underwriter’s discount of \$1,348,540.94) plus accrued interest of \$185,081.94, and the purchase price for the Series B Bonds shall be \$29,023,561.38 (representing the par amount of \$29,560,000.00, less original issue discount of \$117,645.00, less an underwriter’s discount of \$418,793.62) plus accrued interest of \$67,558.75.

The Bonds will not be registered under the Securities Act of 1933, as amended (the “Securities Act”). The Bonds will be offered to the public initially at the offering prices (or bond yields establishing offering prices) set forth on the inside cover page of this Official Statement and such offering prices (or bond yields establishing such offering prices) subsequently may change without prior notice. The initial public offering prices or yields may be changed from time to time by the Underwriter without giving any prior notice; provided such changes do not cause the issuance costs financed out of the proceeds of the Series A Bonds to exceed 2% of the proceeds of such Series A Bonds. The Underwriter may offer the Bonds to other dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than those offered to the public.

The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth in the Purchase Agreement; provided, however, that the Underwriter is obligated to purchase all of the Bonds if any are purchased. The Obligated Group has agreed in the Purchase Agreement to indemnify the Underwriter and the Authority against certain liabilities.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest

rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority and/or the Obligated Group. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority and/or the Obligated Group.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the Obligated Group has undertaken for the benefit of the holders of the Bonds to provide certain financial information or operating data and audited financial statements, and to provide notices of the occurrence of certain material events. The form of the Continuing Disclosure Agreement containing the covenants made by the Obligated Group thereunder for the benefit of the holders of the Bonds is attached in APPENDIX G – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made by the Obligated Group in order to assist the Underwriter in complying with the Rule. The Obligated Group has engaged Digital Assurance Certification, LLC as its dissemination agent to assist in compliance with its continuing disclosure undertaking.

Failure by the Obligated Group to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Master Indenture or the Bond Indenture. The holders of the Bonds are limited to the remedies described in the Continuing Disclosure Agreement. Failure by the Obligated Group to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

WEL Stapeley, a Member of the Obligated Group, entered into a written undertaking to provide ongoing disclosure in accordance with the Rule in connection with the issuance of the Authority’s Revenue Refunding Bonds (Stapeley in Germantown Project), Series 2005A, B, and C. Though all necessary filings have since been made, WEL Stapeley failed to timely file its audited financial statements for fiscal years 2012, 2013, 2015 and 2016 and operating data for fiscal years 2012 through 2016 with the Municipal Securities Rulemaking Board by the dates required under its written undertaking and failed to provide notice in a timely manner of its failure to file its annual financial information as required under its written undertaking.

RATING

Fitch Ratings (“Fitch”) has issued a municipal bond rating of “BB” to the Bonds.

Such rating reflects only the views of such rating agency. Any explanation of the significance of the rating may only be obtained from such rating agency.

The Obligated Group has furnished the rating agency with certain information and materials relating to the Bonds and the Obligated Group. Generally, rating agencies base their ratings on such information and materials, as well as investigation, studies and assumptions by the rating agencies. Such ratings are not recommendations to buy, sell or hold the Bonds.

There can be no assurance that a particular rating, when assigned, will be maintained for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if, in the

judgment of the rating agency originally establishing that rating, circumstances so warrant. None of the Authority, the Underwriter or the Obligated Group has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings on the Bonds or to oppose any such proposed revision or withdrawal. Any lowering, suspension or withdrawal of such ratings could have an adverse effect on the market price or the marketability of the Bonds.

MISCELLANEOUS

The agreement of the Authority with the holders of the Bonds is fully set forth in the Bond Indenture, and neither any advertisements of the Bonds nor this Official Statement is to be construed as constituting an agreement by the Authority, the Obligated Group or any future Member of the Obligated Group with the purchasers of the Bonds. Copies of the Bonds, the Loan Agreement, the Bond Indenture, the Tax Compliance Agreement, the Master Indenture, and the Series 2017 Master Notes are on file in the office of the Underwriter, and following delivery of the Bonds will be on file at the Minneapolis, Minnesota corporate trust office of the Bond Trustee.

The cover page and the attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing statements. All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the Obligated Group and the purchasers or holders of any of the Bonds.

The Authority and the Obligated Group have duly authorized the execution and distribution of, and the Obligated Group has approved, this Official Statement. Except for the information concerning the Authority under the captions “THE AUTHORITY” and “ABSENCE OF LITIGATION AFFECTING THE BONDS – The Authority,” none of the information contained in this Official Statement has been supplied or verified by the Authority.

**PHILADELPHIA AUTHORITY FOR
INDUSTRIAL DEVELOPMENT**

By: /s/ Evelyn F. Smalls
Name: Evelyn F. Smalls
Title: Chairperson

APPROVED:

**EVANGELICAL SERVICES FOR THE
AGING (D/B/A WESLEY ENHANCED
LIVING),
on behalf of itself and the other Members
of the Obligated Group**

By: /s/ Kenneth R. Franiak
Name: Kenneth R. Franiak
Title: Chief Financial Officer

APPENDIX A

**DESCRIPTION OF THE
WESLEY ENHANCED LIVING OBLIGATED GROUP**

Consisting of

**EVANGELICAL SERVICES FOR THE AGING d/b/a
Wesley Enhanced Living**

**EVANGELICAL SERVICES FOR THE AGING FOUNDATION d/b/a
Wesley Enhanced Living Foundation**

**EVANGELICAL MANOR d/b/a
Wesley Enhanced Living Pennypack Park**

**MAPLE VILLAGE d/b/a
Wesley Enhanced Living Upper Moreland**

**MARTINS RUN d/b/a
Wesley Enhanced Living Main Line**

**MARTINS RUN HOME PARTNERS d/b/a
Home Partners**

**THE NEW HERITAGE TOWERS d/b/a
Wesley Enhanced Living Doylestown**

**STAPELEY HALL d/b/a
Wesley Enhanced Living at Stapeley**

[THIS PAGE INTENTIONALLY LEFT BLANK]

WESLEY ENHANCED LIVING OBLIGATED GROUP

TABLE OF CONTENTS

	<u>Page</u>
HISTORY, BACKGROUND AND ORGANIZATION	A-3
Introduction	A-3
History of Wesley Enhanced Living	A-3
The Obligated Group	A-4
Location	A-4
Non-Obligated Affiliates	A-5
GOVERNANCE AND MANAGEMENT	A-6
Board of Directors, Officers and Management Team of WEL	A-6
Board of Directors, Officers and Management Team of Each Community	A-8
THE OBLIGATED GROUP’S FACILITIES	A-10
WEL Pennypack Park	A-10
WEL Doylestown	A-10
WEL Upper Moreland	A-11
WEL Stapeley	A-11
WEL Main Line	A-12
Renovations and Repositioning	A-12
Unit Configuration for the Communities	A-13
RESIDENCY AGREEMENTS AND LEVELS OF CARE	A-13
Independent Living Units (Residential)	A-14
Assisted Living Units (Personal Care)	A-14
Skilled Nursing Units	A-15
Residency Agreements — Entrance Fees; Monthly Maintenance Fees	A-15
Admission Policy	A-15
Resident Care Assessment Process	A-16
Transfer of Residents	A-16
Termination of Residency Agreement; Entrance Fee Refunds	A-16
Entrance Fee Refund Reserve Fund	A-17
THE CAPITAL IMPROVEMENT PROJECTS	A-19
Summary of Proposed Capital Expenditures at WEL Main Line	A-19
Capital Expenditures at Other Communities	A-20
INDEPENDENT LIVING OCCUPANCY, RATES AND DEMOGRAPHICS	A-21
WEL Pennypack Park	A-21
WEL Doylestown	A-21
WEL Upper Moreland	A-21
WEL Stapeley	A-22
WEL Main Line	A-22
Independent Living Rate History	A-22

HEALTH CENTER CENSUS AND RATES	A-24
WEL Pennypack Park	A-24
WEL Doylestown	A-24
WEL Upper Moreland.....	A-24
WEL Stapeley.....	A-25
WEL Main Line.....	A-25
Health Center Rate History	A-25
STATISTICAL INFORMATION FOR THE COMMUNITIES	A-26
Historical Occupancy for the Communities	A-26
Historical Payor Mix for Skilled Nursing at the Communities	A-27
Operating Revenue for the Communities	A-29
Revenue by Service Line for the Communities.....	A-29
Annual Gross Entrance Receipts by Community	A-30
Annual Net Entrance Fees Collected (after Refunds) by Community	A-30
HISTORICAL FINANCIAL RATIOS.....	A-31
Historical Cash Position	A-31
Debt Service Coverage Ratio	A-31
STATEMENT OF OPERATIONS.....	A-32
MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE	A-32
Revenue Strategies	A-32
Expense Strategies.....	A-33
Results of Operations	A-33
Fiscal Year Ended December 31, 2014 Compared to Fiscal Year Ended	
December 31, 2015	A-33
Fiscal Year Ended December 31, 2015 Compared to Fiscal Year Ended	
December 31, 2016	A-33
Five Months Ended May 31, 2016 Compared to Five Months Ended May 31, 2017	A-34
MARKET METHODOLOGY AND COMPETITION.....	A-34
Marketing Methodology.....	A-34
Competition	A-35
ADDITIONAL INFORMATION.....	A-35
Employees and Staffing.....	A-35
Summary of Insurance Information	A-35
Operating and Capital Plan Process	A-36
Insurance Coverage for Residents; Medical Costs Containment	A-36
Litigation	A-37
Investment Policy	A-37
Benevolent Care	A-37
Budget Policy	A-37
Licensure and Memberships.....	A-38

HISTORY, BACKGROUND AND ORGANIZATION

Introduction

Evangelical Services for the Aging (doing business as Wesley Enhanced Living) (“WEL”) was incorporated in 1989 under the Pennsylvania Non-Profit Corporation Law as a nonprofit corporation. WEL was founded to operate and manage continuing care facilities and other senior living facilities in Philadelphia and the surrounding counties that have been designed and developed specifically for use by persons who are at least 62 years old. The facilities provide retirement living through a combination of housing, supportive services and skilled nursing care. WEL’s facilities are designed to deliver a wealth of possibilities to help residents stay engaged, continue to learn, enjoy, and remain connected to what matters to them.

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the forepart of this Official Statement.

History of Wesley Enhanced Living

Wesley Enhanced Living has expanded over more than a century through steady organic growth and affiliation. The German Home for the Aged was formed by the Evangelical Association of Churches in 1888 near Pennypack Park in the Northeast section of Philadelphia; in 1930, the home became known as Evangelical Manor. In 1975, Evangelical Manor Foundation (since renamed Evangelical Services for the Aging Foundation) was established. Later, in 1984, The New Heritage Towers was formed to acquire or assume certain assets of a retirement community located in Doylestown Borough, Bucks County, Pennsylvania. In 1989, WEL was formed to oversee Evangelical Manor and The New Heritage Towers.

In 1995, two additional entities joined the WEL organization: Pilgrim Gardens, located in the Burholme neighborhood in the Northeast section of Philadelphia, Pennsylvania and Maple Village, located in Hatboro, Upper Moreland Township, Montgomery County, Pennsylvania.

In 2010, WEL became affiliated with Stapeley Hall, located in the Germantown area in the Northwest section of Philadelphia, Pennsylvania. The latest addition to the WEL organization occurred in 2015, when WEL became sole member of Martins Run, a continuing care retirement community located in Media, Delaware County, Pennsylvania.

Each of the communities operated and managed by WEL maintains its existence as a separate legal entity. Each of the communities does business under a name intended to provide information as to the location of the community while also identifying the community as part of Wesley Enhanced Living. More information on the communities and organizations that comprise the Wesley Enhanced Living Obligated Group under the Master Trust Indenture (the “Obligated Group” or the “WEL Obligated Group”) can be found in this Appendix A.

[Remainder of page intentionally left blank.]

The Obligated Group

The Obligated Group consists of the following entities (each, a “Member of the Obligated Group” and, collectively, the “Members of the Obligated Group”):

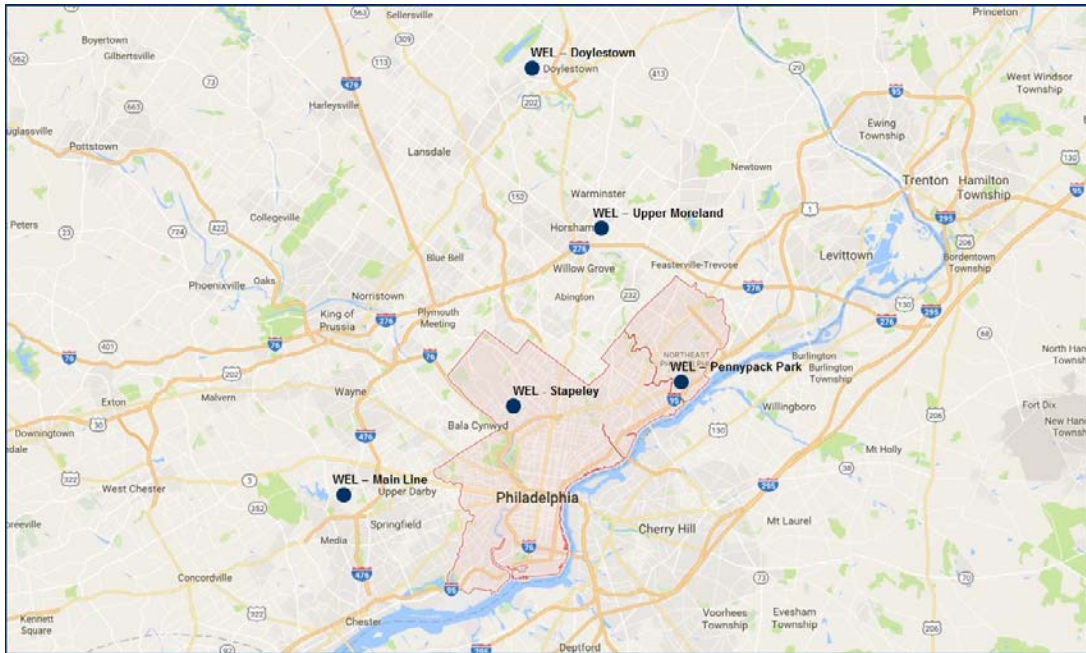
- WEL;
- Evangelical Services for the Aging Foundation (doing business as Wesley Enhanced Living Foundation) (the “Foundation”);
- Evangelical Manor (doing business as Wesley Enhanced Living Pennypack Park) (“WEL Pennypack Park”);
- The New Heritage Towers (doing business as Wesley Enhanced Living Doylestown) (“WEL Doylestown”);
- Maple Village (doing business as Wesley Enhanced Living Upper Moreland) (“WEL Upper Moreland”);
- Stapeley Hall (doing business as Wesley Enhanced Living at Stapeley) (“WEL Stapeley”);
- Martins Run (doing business as Wesley Enhanced Living Main Line) (“WEL Main Line”); and
- Martins Run Home Partners (doing business as Home Partners) (“WEL Home Partners”), an operating organization that provides services to the residents of WEL Main Line.

Each Member of the Obligated Group is a Pennsylvania non-profit corporation and has been determined to be exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”), pursuant to a group exemption letter issued by the Internal Revenue Service to WEL with respect to WEL and its subordinate organizations. Each Member of the Obligated Group other than WEL is exempt from federal income taxation under Section 501(c)(3) of the Code as a subordinate organization under the group exemption of WEL.

WEL is the sole member of WEL Doylestown, WEL Upper Moreland, WEL Stapeley, WEL Pennypack Park and WEL Main Line (collectively referred to herein as the “Communities”). WEL is also the sole member of the Foundation. WEL Main Line is the sole member of WEL Home Partners. WEL exercises control over its direct and indirect affiliates through certain reserved powers along with the ability to appoint the directors of the affiliate organizations. See “GOVERNANCE AND MANAGEMENT” herein.

Location

WEL’s corporate headquarters is located in Warminster, Bucks County, Pennsylvania. The locations of the Communities are depicted on the map on the following page.



Non-Obligated Affiliates

WEL is currently the manager of two other senior housing communities which are not Members of the Obligated Group: Wesley Enhanced Living Burholme (the trade name for The North American Baptist Home for the Aged) (“WEL Burholme”), an independent and personal care community located in the Northeast section of Philadelphia, Pennsylvania; and Burholme Senior Residences (the trade name for Pilgrim Gardens Senior Housing LLP), an age and income restricted independent community located in the Northeast section of Philadelphia, Pennsylvania. WEL is the sole member of WEL Burholme. WEL is the sole member of the entity that is the general partner of the partnership entity that owns WEL Burholme. WEL is also the limited partner in the partnership entity.

WEL previously provided management services to two additional communities: Meadow House (the trade name for Frankford Senior Housing Associates) (“Meadow House”), an affordable housing development located in the Frankford section of Philadelphia, Pennsylvania and Manor Glen (the trade name for Evangelical Senior Housing) (“Manor Glen”), an affordable housing development located in the northeast section of Philadelphia, Pennsylvania. WEL Pennypack Park acts as sponsor of these communities pursuant to certain programs administered by the United States Department of Housing and Urban Development (“HUD”). WEL Pennypack Park is in the process of transitioning its sponsorships to another entity, unaffiliated with WEL, though that process has not been formally initiated with HUD and no assurances can be given as to if, and when, that process will be completed.

WEL BURHOLME, BURHOLME SENIOR RESIDENCES, MEADOW HOUSE, AND MANOR GLEN (COLLECTIVELY, THE “NON-OBLIGATED GROUP ENTITIES”) ARE NOT MEMBERS OF THE OBLIGATED GROUP AND ARE NOT RESPONSIBLE FOR PAYMENT ON ANY OBLIGATIONS ISSUED BY THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE. FURTHER, THE NON-OBLIGATED

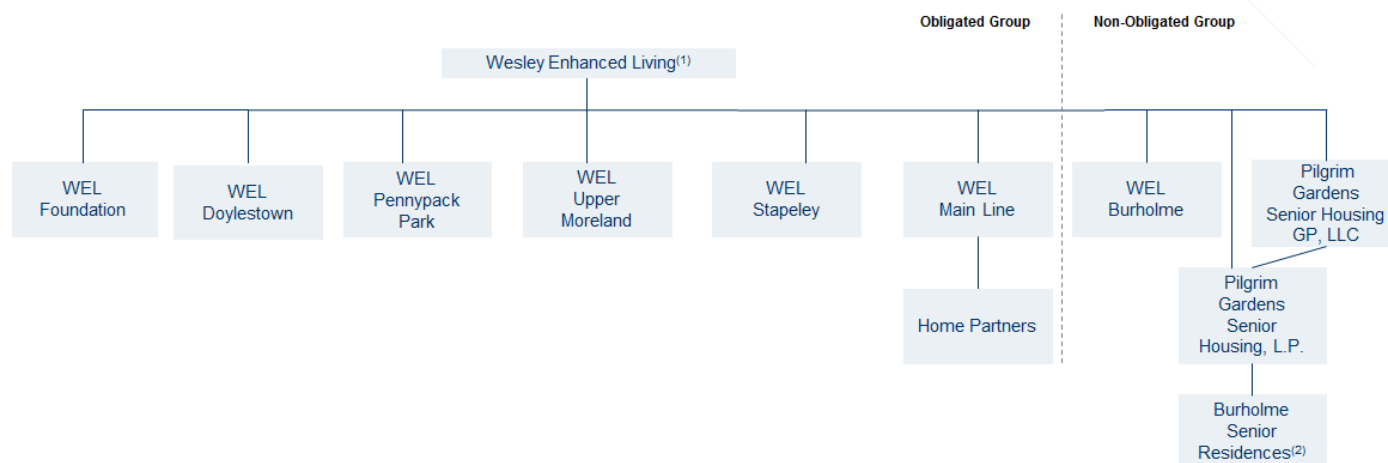
GROUP ENTITIES ARE NOT GUARANTEEING ANY OF THE DEBT INCURRED BY THE OBLIGATED GROUP AS DESCRIBED IN THE FRONT PART OF THIS OFFICIAL STATEMENT.

An overview of the Obligated Group and Non-Obligated Group Affiliates is provided below.

Wesley Enhanced Living

Corporate Structure

Wesley Enhanced Living | 2017 Obligated Group



⁽¹⁾ WEL is sponsor to Meadow House and Manor Glen, affordable housing developments subject to certain HUD restrictions. WEL is in process of transitioning its sponsorships to another entity or other entities, unaffiliated with WEL, though that process has not been formally initiated with HUD.

⁽²⁾ Burholme Senior Residences is owned by Pilgrim Gardens Senior Housing, L.P., a Pennsylvania limited partnership. Pilgrim Garden Senior Housing GP, LLC, a Pennsylvania limited liability corporation, is the general partner of the partnership. WEL is the sole member of Pilgrim Gardens Senior Housing, LLC. WEL also serves as limited partner of the partnership.

GOVERNANCE AND MANAGEMENT

Board of Directors, Officers and Management Team of WEL

The business and affairs of WEL are managed by a Board of Directors (individually each a “Director” and collectively, the “WEL Board”) consisting of at least nine (9) and no more than thirty-five (35) members. Directors are elected for three (3) year terms. One group or class of Directors, not including the President, is elected annually by the other Directors whose terms of office are not then expiring.

At present, the Board of Directors of WEL consists of the following thirteen (13) members:

Name/Title	Occupation	Term Expires*
Harry Symons	CFO and SVP, Pardee Resources Company	2017
Scott Wetherbee	Partner, DeJesus & Wetherbee LLC	2017
George Pinel	CEO, Southeastern Home Health Services	2018
Richard Wells	The Wellynn Group, LLC	2018
Kevin Pasquay	President, KM Pasquay, LLC	2018
Dr. Mary White	Executive Director, United Methodist Neighborhood Services	2019
Wayne Kosik	Unemployment Compensation Tax Agent, Cmlth. of PA	2017
Al Taubenberger	Councilman at Large, City of Philadelphia	2017
Kyle Evans	F. Wackehut Company	2019
Tom Panzer	McNamara, Bolla, & Panzer PC	2019
Jerry Kline	Obermayer, Rebmann, Maxwell & Hippel	2019
Beth Rothschild	President, Rothschild Research Consulting	2017
David Rittenberg	AXA Advisors LLC	2018

*Terms expire on December 31st of the listed year.

The Board is served by certain committees, including an Executive Committee and a Finance Committee which meet quarterly. Other committees of the Board meet less frequently. Special meetings can be called if necessary to address time-sensitive issues.

The following are the managing officers of WEL:

Jeff A. Petty, President and Chief Executive Officer: Mr. Petty, age 61, joined WEL in 2003 in his current position. Prior to joining WEL, Mr. Petty was the Chief Operating Officer and Chief Financial Officer for Wexner Heritage Village in Columbus, Ohio (1999-2002). In addition, Mr. Petty was a Senior Vice President and the Chief Financial Officer of the Jewish Association on Aging in Pittsburgh, Pennsylvania (1994-1998). Mr. Petty has a M.B.A in Industrial Administration from Carnegie-Mellon University and a B.S. in Operations Research from Cornell University, College of Engineering.

Kenneth R. Franiak, Chief Financial Officer: Mr. Franiak, age 52, joined WEL in 2005 in his current position. Prior to joining WEL, Mr. Franiak was the President and Principal of The Prosperitas Group, Inc. (2003 - 2005) in Wayne, Pennsylvania and the Chief Financial Officer and Vice President, Finance for Lutheran Social Ministries of New Jersey (2001-2004) in Burlington, New Jersey. Mr. Franiak also served as Chief Financial Officer for the Philadelphia Protestant Home (1998-2001) in Philadelphia, Pennsylvania and Home Care USA (1994-1998) in Trevese, Pennsylvania. Mr. Franiak has a M.B.A. in Finance from LaSalle University and a B.A. in Accounting from Moravian College.

Additionally, WEL's management team also includes various individuals who are responsible for overseeing the overall operations of the facilities of the Obligated Group and the Non-Obligated Group Entities. These individuals include:

Shelley L. Ballet, Vice President of Marketing: Ms. Ballet, age 62, joined WEL in 2004 in her current position. Prior to joining WEL, Ms. Ballet was the Director of Marketing for Innovatix, LLC, a subsidiary of the Greater New York Hospital Association (2000-2004) in New York City, New York. In addition, Ms. Ballet was Director of Network Marketing for the North Shore-LIJ Health System (now known as Northwell Health) (1996-2000) in Great Neck, New

York, Director of Marketing at Episcopal Health Services (1995-1996) in Uniondale, New York, and Director of Marketing & Public Relations at MedNet HealthCare Group (1992-1995) in New York City, New York. Ms. Ballet has a M.B.A in Marketing from Baruch College and a B.A. in Psychology from Hofstra University.

Pat Lamoreux, Vice President of Human Potential: Ms. Lamoreux, age 60, joined WEL in 2007, initially serving as Corporate Director of Benefits & Compensation, and Assistant Vice President of Human Potential, with more than 15 years of long-term care experience. Ms. Lamoreux has also held the positions of Benefits Manager, Assistant Director of Human Resources and Director of Business Services for Presby's Inspired Life in Lafayette Hill, Pennsylvania. Ms. Lamoreux was appointed Vice President of Human Potential in 2015.

Ms. Lamoreux is HR Certification Institute certified as a Senior Professional in Human Resources (SPHR) and holds the SHRM Senior Certified Professional (SHRM-SCP) certification. She is a member of the Society for Human Resources Management (SHRM), Southeastern Pennsylvania Chapter (SEPA SHRM). Ms. Lamoreux has a Bachelor's Degree in Organizational Management from Eastern University.

Board of Directors, Officers and Management Team of Each Community

The business and affairs of each Community is managed by a Board of Directors which consists of at least three (3) and no more than five (5) members. Directors are elected by WEL for three (3) year terms. WEL or the Board of Directors of the Community, with the prior written approval of WEL, may declare vacant the office of any Director for any cause which WEL or the Board of Directors of such Community may deem harmful to the welfare of either WEL or the Community.

At present, the Board of Directors of each Community consists of the following two (2) members plus the Executive Director of the Community:

Name/Title	Occupation	Term Expires*
Jeff Petty, Chair	CEO WEL	2018
Ken Franiak, Sec/Treas.	CFO WEL	2017

*Terms expire on December 31st of the listed year.

The primary officer of each Community is its Executive Director, as noted in the chart below. Each Executive Director serves on the Board of Directors of the respective Community.

<u>Community</u>	<u>Name</u>	<u>Title</u>
WEL Pennypack Park	Suzanne Lachman	Executive Director, WEL Pennypack Park
WEL Doylestown	Rev. Steven T. Cherry	Executive Director, WEL Doylestown
WEL Upper Moreland	Robyn Kulp	Executive Director, WEL Upper Moreland
WEL Stapeley	Ken Beiler	Executive Director, WEL Stapeley
WEL Main Line	Rhonda Quinlan	Executive Director, WEL Main Line

Biographical information for each Executive Director appears below.

WEL Pennypack Park - Suzanne H. Lachman, Executive Director and Nursing Home Administrator: Mrs. Lachman, age 61, joined WEL in 2003 as the Vice President of Resident Services at WEL Doylestown (2003 to 2007). She has held the positions of Director of Long Term Care (2007-2011) and Corporate Director of Quality Improvement & Risk Management (2011-2015). She has served as the Executive Director at WEL Pennypack Park since 2015. Prior to joining WEL, Mrs. Lachman was the Executive Director for the Ardsley Group in Southampton, Pennsylvania (1991-2003), managing two skilled nursing facilities. Prior to that, she served as Nursing Home Administrator from 1987-1991 at Ridge Crest Nursing & Rehabilitation Center in Feasterville, Pennsylvania. Mrs. Lachman has over forty years of experience working in the healthcare sector. She has been a licensed nursing home administrator since 1987.

WEL Doylestown - Rev. Steven T. Cherry, Executive Director: Rev. Cherry, age 64, joined WEL Doylestown in July of 2000. Prior to his current position at WEL Doylestown, Rev. Cherry was President of WEL Burholme (then Pilgrim Gardens), in Philadelphia, Pennsylvania for five (5) years. Prior to joining WEL Burholme, Rev. Cherry was the Director of Public Relations and Development at WEL Pennypack Park in Philadelphia, Pennsylvania for four (4) years. Rev. Cherry is an ordained member of the Eastern Pennsylvania Conference, The United Methodist Church. Rev. Cherry has served as pastor of several congregations of the United Methodist Church including the Radnor Church in Rosemont, Delaware County, the Iona United Methodist Church in Lebanon, Pennsylvania and the Hibernia United Methodist Church in Coatesville, Pennsylvania. Rev. Cherry has a Bachelors' Degree in Sociology from Albright College in Reading, Pennsylvania and a Master of Divinity Degree from Wesley Seminary, Washington, D.C.

WEL Upper Moreland - Robyn Kulp, Executive Director: Ms. Kulp, age 61, has held her current position at WEL Upper Moreland since 2002. Prior to joining WEL, Ms. Kulp was a Community Sales Representative with Alterra ClareBridge in Yardley, Pennsylvania (2001 to 2002). Prior to that, Ms. Kulp was an Assistant Administrator with Artman Lutheran Home in Ambler, Pennsylvania (1998 to 2001) and a Director of The Mitchell Group/Clinic in Allentown, Pennsylvania (1995 to 1998). Ms. Kulp is a Nursing Home Administrator certified by the Commonwealth of Pennsylvania, and was awarded a Professional Development Certificate in Management from the Pennsylvania State University. Ms. Kulp has a M.S. in Human Service Administration from Villanova University and a B.A. from Indiana University of Pennsylvania.

WEL Stapeley - Ken Beiler, NHA, CASP, Executive Director: Mr. Beiler, age 61, joined WEL in 2015 and is a licensed nursing home administrator in the Commonwealth of Pennsylvania. Prior to accepting his current position, Mr. Beiler was employed by Graduate Health Services in Reading, Pennsylvania as Division Leader for Critical Care Services (1991-1997). Prior to that, he was employed by Extendicare Health Services in Elkins Park, Pennsylvania (1997 to 2004) in various positions, including Regional Director of Operations. He also served as Assistant Executive Director (2004 to 2010) for Presbyterian Senior Living in Dillsburg, Pennsylvania, and Health Care Administrator for Messiah Village in Mechanicsburg, Pennsylvania. He received a Bachelor of Science in Biology from the Millersville University of Pennsylvania and is a Certified Aging Services Professional and a Respiratory Therapist.

WEL Main Line - Rhonda D. Quinlan, Executive Director: Mrs. Quinlan, age 53, joined WEL Main Line in 2014 as the Director of Healthcare Services and became the Executive Director in 2017. She obtained her Nursing Home Administrator's license in 2004. Prior to joining WEL, Ms. Quinlan was the administrator of a 172 bed facility (2009-2014) in Newark, Delaware. Additionally, she held various positions, and serviced various locations at Genesis Health Care, Inc., headquartered in Kennett Square, Pennsylvania (1986-2007). Ms. Quinlan has a B.A. in Business Administration from Wesley College.

THE OBLIGATED GROUP'S FACILITIES

WEL Pennypack Park

WEL's founding continuing care retirement community, located in Northeast Philadelphia at 8401 Roosevelt Boulevard, WEL Pennypack Park was constructed in 4 phases between 1930 and 1980 with a majority of small, single room accommodations. The facility is the oldest of WEL's Communities, and by the early 2000's, it had experienced substantial deterioration and considerable deferred maintenance. As a result, occupancy at all care levels in early 2000 at WEL Pennypack Park had slipped to 80%-85% and financial results began to bring the facility's long term viability into question.

In 2008, after achieving full occupancy and increasing operational efficiency to produce several years of strong operating results, WEL Pennypack Park borrowed the proceeds of \$20 million of credit-enhanced, tax-exempt bonds. This financing was coupled with a capital campaign of \$2.5 million and a state grant of \$750,000, which, together, allowed WEL Pennypack Park to embark on a significant modernization and repositioning project. The project was completed in early 2011, and, in the ensuing years, the facility has thrived in a competitive market. The campus has remained stabilized at all levels of care since 2013.

WEL Pennypack Park's facilities include 72 independent living units, 39 assisted living units and a skilled nursing unit with 120 beds on approximately 12.8 acres of land.

WEL Doylestown

WEL Doylestown was incorporated in 1984. In 1985, WEL Doylestown assumed the land and buildings located at 200 Veterans Lane, Doylestown, Pennsylvania. Prior to such purchase, the land and buildings were operated by Baptist Estates of Doylestown, which filed for bankruptcy in 1985. Thereafter, WEL Doylestown commenced the development of its current facilities.

In 2005, a major repositioning project totaling approximately \$14,215,000 was completed at WEL Doylestown which included: (i) the construction of an approximately 17,000 square foot, 9th floor addition to include a pool, fitness center, movie room, common space and walking track; (ii) the construction of a new assisted living entrance with overhang and walkway; (iii) the construction of an enclosed glass veranda area; and (iv) other miscellaneous renovations and capital improvements.

WEL Doylestown's facilities are currently approximately 247,000 square feet in aggregate size and are located on approximately 7.3 acres in Doylestown Borough, Bucks

County, Pennsylvania. WEL Doylestown's facilities include 219 independent living units ranging in size from studios to 2 bedroom apartments, 2 guest units, a 60-bed skilled nursing facility and various common areas, including dining areas, common rooms, a library, and wellness areas. WEL Doylestown is permitted to designate up to 75 residents within its independent living units as assisted living residents. As of May 31, 2017, 66 residents within the independent living units were designated as assisted living residents.

WEL Upper Moreland

In 1995, WEL became the sole member of WEL Upper Moreland in order to assume control of certain assets consisting of land and a building located at 2815 Byberry Road, Hatboro, Pennsylvania. Prior to such assumption, the land and building operated as the Orangeman's Home, an assisted living facility and adult day care center not affiliated with WEL or the United Methodist Church. The development of WEL Upper Moreland's current facilities commenced in 1997 with the construction of 24 cottages on land adjacent to the Orangeman's Home building, as well as site development and a significant addition to the main building.

In 2005, a major repositioning project was completed at WEL Upper Moreland consisting of the following: (i) the construction, equipping and furnishing of an approximately 62,000 square foot addition to contain 36 additional one-bedroom and two-bedroom independent living units; (ii) the construction of an approximately 800 square foot enclosed veranda in the garden area; and (iii) other miscellaneous renovations and capital improvements. The total cost of the project was approximately \$22,205,000.

WEL Upper Moreland's facilities are currently approximately 190,000 square feet in aggregate size and are located on approximately 16.55 acres in Hatboro, Upper Moreland Township, Montgomery County, Pennsylvania. WEL Upper Moreland's facilities include 150 independent living units, including 38 cottages and 112 apartments, a health center with 33 assisted living beds located in private rooms and various common areas, including dining areas, common rooms, a library, and wellness areas. The independent living units range in size from studios to 2 bedroom configurations. WEL Upper Moreland's facilities do not provide skilled nursing services. If skilled nursing care is needed by residents on a short-term basis, home health or hospice care is available on-site. If long-term care is needed, skilled nursing is available, on a fee-for-service basis, at WEL Pennypack Park and WEL Doylestown, which are located nearby. WEL Upper Moreland residents receive priority admission to these facilities after the needs of the respective facilities' own residents are met. Should skilled nursing beds be unavailable at these affiliated facilities, or a different facility is desired by the resident, referral networks are maintained with other area providers.

WEL Stapeley

Stapeley Hall was a Quaker facility located in the Germantown section of Northwest Philadelphia at 6300 Greene Street, that dated back to 1905, with additions added in the 1970s and 1980s. Prior to its affiliation with WEL, the facility struggled for many years to achieve sustained occupancy across most levels of care and suffered from inefficient operations.

After experiencing recurring losses up through the fiscal year ending June 30, 2009, management and the Board of Directors of Stapeley Hall made the determination that an affiliation was in its best interest, which resulted in WEL becoming the sole member of WEL Stapeley in April, 2010.

Through WEL's management, WEL Stapeley was able to achieve and sustain improved occupancy, increase revenues, dramatically reduce expenditures, improve staffing levels and increase resident programs. Due to these changes, WEL Stapeley generated a significant profit within the first 12 month period of WEL's involvement and, after a \$5 million repositioning effort concluded in the spring of 2014, WEL Stapeley achieved stabilized occupancy.

WEL Stapeley's facilities include 43 independent living units and an assisted living health center with 46 personal care beds, 21 memory care beds, and 120 skilled nursing beds on approximately 5 acres of land.

WEL Main Line

WEL Main Line, located at 100 Halcyon Drive, Media, Pennsylvania, traces its roots back to 1978 when the former Brown Elementary School in Media, Pennsylvania and its 22 acres were purchased by a group of Jewish community leaders with plans to develop a life care community. In September of 1978, Martins Run was formed as a nonprofit corporation. The intent of its founders was to create a Jewish life care ("Lifecare") community. Under the Lifecare community model, residents pay a large initial deposit and a monthly maintenance fee that remains constant no matter how much care is needed (as opposed to a fee for service model). An initial bond offering of \$12 million closed in 1978 with groundbreaking and construction of 200 apartments and the skilled nursing facility starting in the spring of 1979. The personal care unit was built in December of 1991 and expanded to its current capacity in 1996. In 1998, additional contract offerings were developed in addition to the traditional Lifecare contracts.

The Martins Run campus underwent an additional round of renovation in 2005 that improved the main lobby, the skilled nursing unit and garden areas. In 2008, the management of Martins Run authorized marketing to a broader range of seniors to include those not of the Jewish faith. Additional renovations occurred in 2008 and 2009, including the addition of a new fitness center and indoor pool, a new kosher kitchen and a renovated dining room. These renovations were funded by a \$7 million tax-exempt loan from Bryn Mawr Trust. In 2013, management of Martins Run decided to pursue an affiliation partner. Martins Run and WEL signed a letter of intent to affiliate in October of 2014. On March 1, 2015, WEL became sole member of Martins Run and the Community began operating as WEL Main Line.

WEL Main Line's facilities include 163 independent living units, with an additional 30 personal care and 60 skilled nursing beds on approximately 22.05 acres of land.

Renovations and Repositioning

Over the past fifteen years, the Obligated Group's Communities have benefitted from over \$70,000,000 to renovate and reposition the Communities, as summarized in the chart below. These investments have led to improvements in occupancy levels and increased operational efficiencies. WEL intends to utilize the knowledge and experienced gained in executing and

developing these projects over multiple Communities in connection with the repositioning of the WEL Main Line Community, the cost of which is intended to be funded with a portion of the proceeds of the Bonds.

<u>Community</u>	<u>Year Substantially Completed</u>	<u>Approximate Cost</u>
WEL Pennypack Park	2011	\$23,250,000
WEL Doylestown	2005	14,215,000
WEL Upper Moreland	2005	22,205,000
WEL Stapeley	2014	5,000,000
WEL Main Line	2009	7,000,000
Total:		\$71,670,000

Unit Configuration for the Communities

The following table shows a breakdown of the unit configuration for each of the Communities:

Facility	Studio	<u>Independent Living</u>			Personal/ Memory Care	Skilled Nursing	Total Beds/Units Available
		One Bedroom	Two Bedroom	Cottage			
WEL Pennypack Park	12	28	32	n/a	39	120	231
WEL Doylestown	76	103	40	n/a	n/a*	60	279
WEL Upper Moreland	2	60	50	38	33	n/a	183
WEL Stapeley	19	14	10	n/a	67	120	230
WEL Main Line	25	99	39	n/a	30	60	253
Total	134	304	171	38	169	360	1176

* WEL Doylestown is permitted to designate up to 75 residents within its independent living units as assisted living residents. As of May 31, 2017, 66 residents within the independent living units were designated as assisted living residents.

RESIDENCY AGREEMENTS AND LEVELS OF CARE

The Obligated Group's facilities are designed to provide a continuum of care from independent living through assisted living and/or skilled nursing. Currently, residents of WEL Communities participate in one of two payment models: (i) a Fee-for-Service model, where costs vary depending on the level of care provided, and (ii) a Lifecare model, where monthly fees remain relatively constant no matter how much care is needed. As noted in the table below, the Lifecare model has been phased out of all Communities except for WEL Main Line.

With respect to entrance fees, WEL Communities generally offer only non-refundable contracts to new residents. However, the WEL Communities do have a small percentage of remaining legacy refundable contracts, as noted in the table below. For more information on the remaining refundable plans and the Entrance Fee Refund Reserve Fund being established with a portion of the proceeds of the Series B Bonds, see "Termination of Residency Agreement; Entrance Fee Refunds" herein.

Number and Percentage of Residents by Payment Model/Contract Type (as of June 30, 2017)

	All Communities except WEL Main Line			WEL Main Line			Total			Total %⁽¹⁾		
	Standard	Refundable	Total	Standard	Refundable	Total	Standard	Refundable	Total	Standard	Refundable	Total
Fee-for Service	477	24	501	59	23	82	536	47	583	81.3%	7.1%	88.5%
Lifecare	-	-	-	75	1	76	75	1	76	11.4%	0.2%	11.5%
Total	477	24	501	134	24	158	611	48	659	92.7%	7.3%	100.0%

⁽¹⁾ Totals may not add due to rounding.

A description of the services provided and the levels of care at the Obligated Group's Communities are set forth below.

Independent Living Units (Residential)

Independent living units, which range in size from studios and 1 bedrooms to 2 bedrooms and cottages, are for residents functionally capable of apartment living and who require minimal assistance. In most instances, an entrance fee is charged prior to entering an independent living unit, and monthly maintenance fees are charged thereafter. Basic services include 24-hour emergency call system, fully carpeted accommodations, a kitchen equipped with a stove and refrigerator, utilities and maintenance, regular housekeeping and linen services, plus daily meals as follows: 15 meals per month at WEL Upper Moreland, 21 meals per month at WEL Main Line and 30 meals per month at WEL Doylestown, WEL Pennypack Park and WEL Stapeley. A dishwasher and clothes washer/dryer may be provided in the larger apartments. Scheduled activities, events and programs, chaplain services, wellness center, transportation, 24/7 security, the use of common areas, and all on-site community-specific amenities (i.e. pool, fitness center, library, computer lab, banking services, salon) are also provided or are otherwise available.

Assisted Living Units (Personal Care)

Assisted living units, which range in size from studio to 1 bedroom apartments, are for residents who require assistance with the activities of daily living, and can no longer live completely independently. Residents in assisted living units are generally ambulatory and require assistance with certain activities including taking medication, bathing, toileting, dressing and meals. At this level of care, three meals are provided daily and 24-hour staffing is included in the basic charge. Assisted living residents have access to all community-specific amenities, and can participate in daily activities and programs. Additional charges for personal supplies and/or services may be assessed. Assisted living services are not eligible for Medicaid or Medicare reimbursement. Services are provided on a fee-for-service basis, except for certain residents at WEL Main Line who receive services under Lifecare contracts.

Skilled Nursing Units

Skilled nursing units, available in private or semi-private accommodations, are for residents requiring skilled nursing or a higher level of care than is provided in independent living units or assisted living units. Nursing care services are for residents who require daily physician oversight coupled with a professional nursing staff (Registered Nurse or Licensed Practical Nurse) on duty 24-hours a day. Rehabilitation services such as customized physical, occupational, and speech therapies are also provided for residents, as needed. At this level of care, three meals are provided daily. Residents also participate in daily activities and programs. This level of care is eligible for Medicaid and/or Medicare reimbursement, as applicable. Services are provided on a fee-for-service basis, except for certain residents at WEL Main Line who receive services under Lifecare contracts. Additional charges for personal supplies and/or services may be assessed.

Residency Agreements — Entrance Fees; Monthly Maintenance Fees

The Obligated Group requires a \$1,000 deposit in order for a prospective resident to be included on a Community's waiting list. Residents of the Obligated Group's Communities also pay a one-time entrance fee, depending on the size of the apartment selected and number of occupants. Under the standard residency agreement, which is the plan typically offered to new residents of the Communities, a resident will not receive a refund of any of the entrance fee payment after the transition period (see "- Termination of Residency Agreement; Entrance Fee Refunds" below). Approximately ten percent (10%) of the entrance fee is due at the time a residency agreement is signed, and the balance is due when the residential unit is available for occupancy. The waiting list deposit is credited to the final installment of the entrance fee.

In prior years, certain Members of the Obligated Group offered a refundable plan, whereby the resident received a refund for a portion of the entrance fee upon termination of the residency agreement after the transition period. This plan is generally no longer offered to new residents.

In addition to the entrance fees, residents pay a monthly maintenance fee based upon the size and type of living unit (including whether single or double occupancy is desired), the number of residents in each unit, and the services selected by the respective residents.

The entrance fee and the monthly maintenance fees may be adjusted periodically to reflect such factors as the present market environment and changes in operating costs, but changes in the monthly maintenance fees require 30 days' notice to residents.

Admission Policy

When a prospective resident applies for admission into a Community, the prospective resident must submit a financial statement and medical record at the time of application. The decision whether to admit a prospective resident is based on the prospective resident's health and financial resources. Prior to the time when a residential unit becomes available, a medical form is sent to the prospective resident for completion by his or her personal physician and a final interview is conducted by the admissions committee. If the prospective resident's health and financial condition do not comport with the requirements of the Community, the Community's

management may, at its discretion, decline the prospective resident's application and refund the prospective resident's entrance fee deposit.

Resident Care Assessment Process

A standard resident care assessment process is in place at each Community to assure that all residents are receiving the proper level of care. This assessment process reviews a resident's physical and mental condition and psychosocial well-being, and the ability to function at their present level. In addition, a standard health assessment instrument has been developed, pursuant to and in accordance with government regulations, for all residents at the skilled nursing facilities which provides timely information relating to each resident's actual condition.

Transfer of Residents

If a resident is unable to live independently within the range of services provided in the residential units, as determined by the respective medical director of a particular facility in conjunction with the resident's physician, the resident would be transferred to a nursing facility/unit or an assisted living facility/unit. If a resident is permanently transferred to a nursing facility/assisted living unit, the resident's residential unit becomes available for occupancy by another resident, assuming that a second occupant, spouse or co-resident does not retain occupancy of the unit; provided, however, no refund of the entrance fee is paid to the transferring resident until termination of the residency agreement and then only in certain instances (see "-Termination of Residency Agreement; Entrance Fee Refunds" below). If, in the future, the resident recovers sufficiently to resume independent living, a similar or alternate residential unit is made available for the resident's use, depending upon availability. When a resident dies or is permanently transferred to a nursing facility/assisted living unit, the residential unit previously occupied by the resident is re-leased at an entrance fee that is adjusted to reflect current market conditions, assuming that a second occupant, spouse or co-resident does not retain occupancy of the unit.

Termination of Residency Agreement; Entrance Fee Refunds

The following discussion relates to the Obligated Group's current form of residency agreement. Some individuals became residents pursuant to prior forms of residency agreements then in use by the Obligated Group, the terms of which differ from the current residency agreements used by the Obligated Group.

A prospective resident may terminate a residency agreement during a seven day rescission period after execution of the residency agreement and receive a refund equal to 100% of the deposit without interest. After the rescission period has passed, but prior to occupancy, if a resident dies or is precluded from occupancy due to illness, injury or incapacity, the residency agreement may be terminated, and the resident will receive a refund equal to 100% of the deposit without interest plus the reservation fee, less any amounts deducted to cover expenses incurred by the facility at such resident's specific written request. After the rescission period has passed, but prior to occupancy, a prospective resident, who is not precluded from becoming a resident due to illness, injury or incapacity, may terminate a residency agreement and receive a refund

equal to 100% of the deposit without interest, less the reservation fee and any amounts deducted to cover expenses incurred by the facility at such resident's specific written request.

After occupancy, a resident may terminate the residency agreement for any reason upon 60 days prior written notice. Under the standard non-refundable plan, the entrance fee is amortized for 50 months by 2% for each month beginning on the earlier of occupancy or a resident's designated occupancy day (at certain WEL Communities, amortization occurs over a shorter period of time). If a resident under the non-refundable plan terminates the residency agreement after occupancy during the amortization period, the resident is entitled to a refund of the unamortized entrance fee, less the amount of any financial assistance subsidy provided by the facility to the resident, amounts deducted to cover costs incurred by the facility to restore the residence in the event of unreasonable wear and tear, unpaid charges and any amounts deducted to cover expenses incurred by the facility at such resident's specific request. After the amortization period, a resident is not entitled to a refund of any portion of the entrance fee.

Under certain legacy refundable plans that are no longer typically offered to new residents, only a portion of the entrance fee would amortize, and the resident would be entitled to a refund of the unamortized portion of the entrance fee, even after the full amortization period has ended. The number of residents with legacy refundable entrance fee plans and the Communities where those residents reside, along with other information, as of June 30, 2017, is set out in the tables below.

Legacy Refundable Entrance Fee Plans (as of June 30, 2017)

	<u>Legacy Refundable in ILU</u>			<u>Legacy Refundable in PC or SNF</u>			<u>Refundable in Queue to be Paid</u>		
	No.	Amount	Average	No.	Amount	Average	No.	Amount	Average
WEL Doylestown	9	\$1,240,125	\$137,792	2	\$252,295	\$126,148	-	-	-
WEL Upper Moreland	13	\$1,388,852	106,835	-	-	-	-	-	-
WEL Main Line	22	\$5,027,118	228,505	-	-	-	2	\$409,500	\$204,750
Total	44	\$7,656,095	\$174,002	2	\$252,295	\$126,148	2	\$409,500	\$204,750

Legacy Refundable Entrance Fee Plan Totals (as of June 30, 2017)

	No.	Amount	Average
WEL Doylestown	11	\$1,492,420	\$135,675
WEL Upper Moreland	13	\$1,388,852	106,835
WEL Main Line	24	\$5,436,618	226,526
Total/Average	48	\$8,317,890	\$173,290

Entrance Fee Refund Reserve Fund

A portion of the proceeds of the Series B Bonds in the approximate amount of \$12,600,000 shall be deposited into the Entrance Fee Refund Reserve Fund held under the Bond

Indenture and used by the Obligated Group to pay entrance fee refunds as they become due, with respect to both refundable entrance fee plans and standard entrance fee plans. The funding of the Entrance Fee Refund Reserve Fund is intended to provide additional liquidity for the Obligated Group during the five year period after issuance of the Bonds during which time the Obligated Group will phase out the refund obligations on the existing refundable entrance fee contracts. The Obligated Group is not required to replenish amounts in the Entrance Fee Refund Reserve Fund once drawn. For more information on the Entrance Fee Refund Reserve Fund, see “APPENDIX D – SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT – Entrance Fee Refund Reserve Fund.”

[Remainder of page intentionally left blank.]

THE CAPITAL IMPROVEMENT PROJECTS

A portion of the net proceeds of the Bonds will be used to renovate and reposition the current facilities of the Members of the Obligated Group. The majority of the improvements will be focused on the WEL Main Line campus, as summarized below. WEL has significant experience over the past fifteen years with respect to revitalizing and repositioning its Communities (see “THE OBLIGATED GROUP’S FACILITIES – Renovations and Repositioning” herein).

Summary of Proposed Capital Expenditures at WEL Main Line

The approximately \$15 million project will seek to improve the WEL Main Line campus to allow it to be more competitive in the marketplace. The primary areas that are planned to be addressed by the project include, but are not limited to, the following (dollar amounts included in the descriptions below are estimated and subject to change)¹:

Renovation of the Skilled Nursing Unit (estimated \$2,750,000)

This project will focus on creating a more home-like environment for the nursing residents, staff and family members. Resident rooms, bathing, activity and dining areas, in addition to care stations, will be upgraded with new finishes, furnishings and improved lighting to provide an appropriate environment to live, work and visit. Internal systems that require updating will be addressed as well, including HVAC, security and structural improvements.

Renovation of the Personal Care Unit (estimated \$2,750,000)

All public spaces including corridors, dining, activity and care areas of the personal care unit will be provided with new and improved finishes, furnishings, lighting and mechanical system upgrades to improve the quality of life experience for residents, staff and visitors.

Independent Living Buildings (estimated \$1,500,000)

Management will complete the renovation and upgrade of all unoccupied Independent Living Units, which number 25 units as of June 30, 2017. The remaining un-renovated residential units, totaling 100, will continue to be updated as they turnover. Additionally, the corridors and gathering areas will be updated with new carpet, lighting and furniture upgrades.

Dining Room Renovation (estimated \$1,000,000)

The current formal dining room will be updated with new finishes, furniture and lighting to compliment the recently renovated casual dining venue. WEL Main Line currently has a Kosher and a non-Kosher kitchen, which will be consolidated into one primary kitchen to achieve more work efficiency and greater function.

¹ Engineering, architect’s fees and other similar costs , totaling approximately \$1,250,000, are in addition to the amounts listed herein for the components of the project.

Auditorium/Synagogue/Chapel (estimated \$1,000,000)

Renovations will be made to transform the space into a more ecumenical worship area and multi-function room.

Other Resident Life Areas (estimated \$750,000)

Renovations will be made to the resident activity and administrative areas to facilitate efficient functioning and take advantage of unutilized space created by the relocation of certain staff positions to WEL's corporate headquarters as a result of the affiliation of WEL Main Line with WEL in 2015.

Main Entrance/Lobby Area (estimated \$1,500,000)

Renovations will be made to enhance the entrance and facilitate a welcoming lobby.

Outdoor Spaces (estimated \$500,000)

Improvements will be made to modify the green lawn areas by introducing some outdoor activity spaces such as putting green, bocce ball court, garden area, dog park, etc.

Systems, Mechanicals and Structural (estimated \$2,000,000)

HVAC, nurse call, roofing replacements and other capital repairs are to be included in the initial plans and prioritized accordingly.

Capital Expenditures at Other Communities

The WEL Board of Directors recognizes the need to re-invest in the Communities. A portion of the proceeds of the Bonds of approximately \$15,000,000 will be used to fund (or, in some cases, reimburse) the cost of ongoing capital maintenance requirements, equipment purchases and other improvements at the Communities in accordance with the long-term capital budgets approved by the WEL Board of Directors. The table below sets forth the estimated amount of expenditures by Community. Such amounts are subject to revision in accordance with any changes in the long-term capital budgets of the Communities.

<u>Community</u>	<u>Capital Expenditures</u>
WEL Pennypack Park	\$2,010,000
WEL Doylestown	5,074,000
WEL Upper Moreland	3,957,000
WEL Stapeley	2,075,000
WEL Main Line	1,884,000*
Total	\$15,000,000

* The amount included for WEL Main Line is in addition to the approximately \$15,000,000 of bond proceeds allocable to the WEL Main Line renovation/reposition project described above under the heading "Summary of Proposed Capital Expenditures at WEL Main Line".

INDEPENDENT LIVING OCCUPANCY, RATES AND DEMOGRAPHICS

The tables below and on the following pages detail the nonrefundable entrance fee and the monthly service charges for each Community's independent living units.

WEL Pennypack Park

Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studios	12	325	\$1,218	\$7,500 – 15,000
One Bedroom	28	620 – 636	\$1,657 – 1,907	\$25,000 – 79,000
Two Bedroom	32	952 – 1,040	\$1,988 – 2,277	\$37,500 – 110,000
Total/Weighted Average-Independent	72	741	\$1,844	\$54,875

⁽¹⁾ Entrance fees and monthly fees are effective as of January 1, 2017.

⁽²⁾ The second person entrance fee for the WEL Pennypack Park ILUs is \$10,000. The second person monthly fees for the WEL Pennypack Park ILUs range from \$552 to \$625.

WEL Doylestown

Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units ⁽³⁾</i>				
Studio	76	432	\$1,593	\$77,500
One-Bedroom	103	564	\$1,933 – 2,675	\$129,500 – 179,500
Two-Bedroom	40	834 – 1,092	\$2,675 – 2,813	\$179,500 – 204,000
Total/Weighted Average-Independent	219	591	\$2,138	\$134,582

⁽¹⁾ Entrance fees and monthly fees are effective as of January 1, 2017.

⁽²⁾ The second person entrance fees for the WEL Doylestown ILUs range from \$10,000 to \$20,000.

The second person monthly fees for the WEL Doylestown ILUs range from \$757 to \$859.

⁽³⁾ Additional monthly fees for residents receiving personal care services in the Doylestown ILUs range from \$1,734 to \$3,285 depending on additional care needed and whether a medical component of assistance is needed.

WEL Upper Moreland

Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studio	2	390	\$1,222	\$72,500
One-Bedroom	60	631 – 706	\$1,478 – 1,530	\$104,000 – 128,500
Two-Bedroom	50	1,048	\$2,226	\$158,000
Cottage	38	995 – 1,300	\$1,041 – 1,138	\$166,000 – 229,500
Total/Weighted Average-Independent	150	913	\$1,636	\$150,230

⁽¹⁾ Entrance fees and monthly fees are effective as of January 1, 2017.

⁽²⁾ The second person entrance fees for the WEL Upper Moreland ILUs range from \$10,000 to \$20,000.

The second person monthly fees for the WEL Upper Moreland ILUs range from \$69 to \$517.

WEL Stapeley

Unit Type	Number of Units	Square Footage	Monthly Fees ⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable ⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studio	19	300	\$2,298 – 2,517	\$30,000 – 37,000
One Bedroom	14	550	\$2,792	\$68,000
Two Bedroom	10	1,092	\$3,629	\$11,000
Total/Weighted Average-Independent	43	566	\$2,817	\$62,523

⁽¹⁾ Entrance fees and monthly fees are effective as of January 1, 2017.

⁽²⁾ The second person entrance fee for the WEL Stapeley ILUs is \$10,000. The second person monthly fees for the WEL Stapeley ILUs ranges from \$1,072 to \$1,074.

WEL Main Line

Unit Type	Number of Units	Square Footage	Monthly Fees ⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable ⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studio	25	500	\$1,471	\$54,000 – 104,000
One Bedroom	99	625 – 981	\$1,839 – 3,252	\$67,000 – 210,000
Two Bedroom	39	1,044 – 1,250	\$2,574 – 3,252	\$126,000 – 244,000
Total/Weighted Average-Independent	163	839	\$2,469	\$140,500

⁽¹⁾ Entrance fees and monthly fees are effective as of January 1, 2017.

⁽²⁾ The second person monthly fees for the WEL Main Line ILUs range from \$758 to \$4,797

Independent Living Rate History

The tables below set forth the changes, by percentage, in the entrance fees and Independent Living monthly fees at the Obligated Group's Communities from year to year for the referenced periods.

WEL Entrance Fee Increases

	2014	2015	2016	2017
WEL Pennypack Park	0%	4.7% - 5.0%	0%	0%
WEL Upper Moreland	1% - 4%	1.4% - 3.4%	2% - 2.6%	3.2% - 6.4%
WEL Doylestown	1.6% - 2.5%	(-13%) ⁽¹⁾ - 2.2%	2.00%	1.6% - 5.9%
WEL Stapeley	0%	0%	0%	0%
WEL Main Line	N/A	N/A	0%-12.6%	0%

⁽¹⁾ Fee decrease applicable to studio units only.

⁽²⁾ Fiscal year ending December 31, 2016 represents the first full year of financial results since WEL became sole member of WEL Main Line.

WEL Independent Living Monthly Fee Increases

<u>Community</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
WEL Pennypack Park	2.00%	2.00%	2.00%	2.50%
WEL Upper Moreland	2.00%	2.00%	2.00%	2.00%
WEL Doylestown	2.00%	2.00%	2.00%	2.00%
WEL Stapeley	0.00%	2.00%	0.00%	2.00%
WEL Main Line	2.50%	2.50%	0.00%	2.00%

Resident Profile

The table below represents WEL Independent Living resident demographics as of May 31, 2017.

	WEL Pennypack Park	WEL Doylestown	WEL Upper Moreland	WEL Stapeley	WEL Main Line	Total Obligated Group
Gender						
Female	81%	70%	78%	75%	73%	75%
Male	19%	30%	22%	25%	27%	25%
Age						
Average Age	86	87	85	84	89	86
Marital Status						
Married	18%	31%	29%	21%	32%	28%
Unmarried	82%	69%	71%	79%	68%	72%

Sources: WEL Records

[Remainder of page intentionally left blank.]

HEALTH CENTER CENSUS AND RATES

The tables below detail the daily service charges for each Community's skilled nursing care units and personal care units, as applicable, as well as the approximate square footage of the units.

WEL Pennypack Park

Unit Type	Number of Units	Square Footage	Monthly Fees
<i>Personal Care Units^{(1) (2)}</i>			
Studios	33	300	\$2,433 – 4,228
One Bedroom	5	528	\$3,528 – 4,715
Two Bedroom	1	750	\$3,680
Total/Weighted Average – Personal Care	39	341	\$3,441
<i>Nursing Beds</i>			
			<u>Daily Fee</u>
Private	10	150	\$373
Semi-private	110	270	\$322
Total/Weighted Average – Nursing	120	260	\$326

(1) Semi-private rooms are available in the WEL Pennypack Park PCUs in the Manor Building for \$2,768 per month plus additional levels of care fees. The second person monthly fee in the Pennypack Park PCUs in the Roosevelt building is \$2,160.

(2) One additional level of care is available in the Manor Building for \$304 to \$395 for a private accommodation and \$426 for a semi-private accommodation. Two additional levels of care are available in the Roosevelt Building for the following monthly fees: Level I ranges from \$274 to \$335 and Level II ranges from \$517 to \$669.

WEL Doylestown

Unit Type⁽¹⁾	Number of Units	Square Footage	
<i>Nursing Beds</i>			<u>Daily Fee</u>
Private	1	312	\$356
Semi-Private	59	312	\$327
Total/Weighted Average – Nursing	60	312	\$327

(1) WEL Doylestown is permitted to designate up to 75 residents within its independent living units as assisted living residents. As of May 31, 2017, 66 residents within the independent living units were designated as assisted living residents. Monthly fees for residents receiving personal care services in the Doylestown ILUs (in addition to their independent living unit fees) range from \$1,734 to \$3,285 depending on additional care needed and whether a medical component of assistance is needed.

WEL Upper Moreland

Unit Type⁽¹⁾	Number of Units	Square Footage	Monthly Fees
<i>Personal Care Units⁽¹⁾</i>			
Private Suite	33	390	\$4,471 – 5,5110
Total/Weighted Average – Personal Care	33	390	\$4,791

(1) Two additional levels of care are available in WEL Upper Moreland PCUs for the following monthly fees: Level I ranges from \$517 to \$639 and Level II ranges from \$1,095 to \$1,156.

WEL Stapeley

Unit Type	Number of Units	Square Footage	Monthly Fees
<i>Personal Care Units⁽¹⁾</i>			
Small	24	220 – 340	\$4,263
Medium	8	341 – 399	\$4,534
Large	5	400 – 500	\$4,841
Suite	9	501 – 755	\$5,078
Total/Weighted Average – Personal Care	46	355	\$4,532
<i>Memory Care Units^{(2) (3)}</i>			
Private	5	330	\$5,353
Semi-private	16	430	\$4,258
Total/Weighted Average – Memory Care	21	406	\$4,519
<i>Nursing Beds</i>			<u>Daily Fee</u>
Private	2	200	\$373
Semi-private	118	290	\$322
Total/Weighted Average – Nursing	120	289	\$354

(1) A one-time community fee of \$5,100 is required upon move-in into the WEL Stapeley PCUs.

(2) The second person monthly fees for the large and suite Stapeley PCUs ranges from \$1,137 to \$1,139.

(3) Semi-private accommodations are available in the Stapeley PCUs for \$2,937 per month per person.

WEL Main Line

Unit Type	Number of Units	Square Footage	Monthly Fees
<i>Personal Care Units⁽¹⁾</i>			
Private	30	303	\$4,593
Total/Weighted Average – Personal Care	30	303	\$4,593
<i>Nursing Beds</i>			<u>Daily Fee</u>
Private	40	239	\$339 – 361
Semi-private	20	325	\$321
Total/Weighted Average – Nursing	60	268	\$340

(1) Two additional levels of care are available in the Main Line PCUs for the following monthly fees: Level I is \$517 and Level II is \$973.

Health Center Rate History

The tables below set forth the changes, by percentage, in the monthly fees for personal care units at the Obligated Group's Communities from year to year for the referenced periods.

WEL Personal Care Monthly Fee Increases

<u>Community</u>	2014	2015	2016	2017
WEL Pennypack Park	2.00%	2.00%	2.00%	2.00%
WEL Upper Moreland	3.00%	2.00%	2.00%	2.00%
WEL Doylestown	2.00%	2.00%	2.00%	2.00%
WEL Stapeley	0.00%	3.00%	2.00%	2.00%
WEL Main Line	3.00%	3.00%	0.00%	2.00%

STATISTICAL INFORMATION FOR THE COMMUNITIES

The following data should be read in conjunction with the consolidated audited financial statements and notes thereto, presented in Appendix B.

Historical Occupancy for the Communities

The historical occupancy (based upon operating beds) for the Communities for each of the fiscal years ended December 31, 2014 through 2016 (audited) and for the five-month period ended May 31, 2017 (unaudited) is summarized by location and level of care and set forth in the following tables:

Independent Living

Facility	Fiscal Year Ending Dec. 31			5 months ending 5/31/17 ⁽¹⁾
	2014	2015	2016	
WEL Pennypack Park	96.99%	92.56%	89.52%	96.37%
WEL Doylestown	91.67%	92.40%	93.45%	93.35%
WEL Upper Moreland	95.67%	93.26%	93.18%	92.79%
WEL Stapeley	89.87%	80.40%	80.21%	86.67%
WEL Main Line	N/A ⁽²⁾	83.00%	77.42%	82.25%

⁽¹⁾ Unaudited.

⁽²⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

Personal Care (including Memory Care)

Facility	Fiscal Year Ending Dec. 31			5 months ending 5/31/17 ⁽¹⁾
	2014	2015	2016	
WEL Pennypack Park	81.54%	95.10%	91.08%	94.20%
WEL Doylestown	86.01%	94.33%	98.99%	94.09%
WEL Upper Moreland	95.33%	92.33%	94.57%	95.71%
WEL Stapeley	92.95%	88.90%	88.51%	92.61%
WEL Main Line	N/A ⁽²⁾	86.60%	95.23%	93.33%

⁽¹⁾ Unaudited.

⁽²⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

[Remainder of page intentionally left blank.]

Skilled Nursing

Facility	Fiscal Year Ending Dec. 31			5 months ending 5/31/17 ⁽¹⁾
	2014	2015	2016	
WEL Pennypack Park	96.25%	96.17%	95.08%	94.73%
WEL Doylestown	95.52%	94.28%	97.31%	98.08%
WEL Upper Moreland	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
WEL Stapeley	91.69%	92.02%	95.14%	95.72%
WEL Main Line	N/A ⁽³⁾	92.71%	92.71%	91.03%

⁽¹⁾ Unaudited.

⁽²⁾ WEL Upper Moreland does not offer skilled nursing beds.

⁽³⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

Sources of Nursing Residents

	Fiscal Year Ending Dec. 31								5 months ending 5/31/17							
	2014				2015				2016							
	WEL	Other	Total	%WEL	WEL	Other	Total	%WEL	WEL	Other	Total	%WEL	WEL	Other	Total	%WEL
WEL Pennypack	21	54	75	28%	29	69	98	30%	32	80	112	29%	37	71	108	34%
WEL Stapeley	10	80	90	11%	12	90	102	12%	11	102	113	10%	14	92	106	13%
WEL Doylestown	30	14	44	68%	34	23	57	60%	46	10	56	82%	54	7	61	89%
WEL Main Line	6	7	13	46%	21	20	41	51%	29	19	48	60%	32	18	50	64%

Historical Payor Mix for Skilled Nursing at the Communities

The historical payor mix for Skilled Nursing at the Communities for each of the fiscal years ended December 31, 2014 through 2016 (audited) and for the five-month period ended May 31, 2016 and 2017 (unaudited) is summarized by location and set forth in the following tables:

Private Pay/Other as a Percentage of Total Skilled Nursing Revenues

Facility	Fiscal Year Ending Dec. 31			5 months ending ⁽¹⁾	
	2014	2015	2016	5/31/16	5/31/17
WEL Pennypack Park	26.08%	28.28%	29.52%	29.69%	31.24%
WEL Doylestown	48.59%	43.19%	39.90%	42.10%	44.72%
WEL Upper Moreland	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
WEL Stapeley	14.95%	14.20%	17.02%	21.42%	17.64%
WEL Main Line	N/A ⁽³⁾	63.33%	49.71%	51.71%	49.58%

⁽¹⁾ Unaudited.

⁽²⁾ Skilled nursing services are not provided at WEL Upper Moreland.

⁽³⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

Medicaid as a Percentage of Total Skilled Nursing Revenues

Facility	Fiscal Year Ending Dec. 31			5 months ending ⁽¹⁾	
	2014	2015	2016	5/31/16	5/31/17
WEL Pennypack Park	67.11%	65.45%	64.04%	62.54%	59.82%
WEL Doylestown	41.04%	47.19%	52.39%	50.41%	47.81%
WEL Upper Moreland	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
WEL Stapeley	74.55%	76.35%	76.05%	71.15%	75.85%
WEL Main Line	N/A ⁽³⁾	22.29%	43.81%	41.96%	41.22%

⁽¹⁾ Unaudited.

⁽²⁾ Skilled nursing services are not provided at WEL Upper Moreland.

⁽³⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

Medicare as a Percentage of Total Skilled Nursing Revenues

Facility	Fiscal Year Ending Dec. 31			5 months ending ⁽¹⁾	
	2014	2015	2016	5/31/16	5/31/17
WEL Pennypack Park	6.81%	6.27%	6.44%	7.77%	8.94%
WEL Doylestown	10.37%	9.62%	7.71%	7.49%	7.47%
WEL Upper Moreland	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
WEL Stapeley	10.50%	9.45%	6.93%	7.43%	6.51%
WEL Main Line	N/A ⁽³⁾	14.38%	6.48%	6.36%	9.20%

⁽¹⁾ Unaudited.

⁽²⁾ Skilled nursing services are not provided at WEL Upper Moreland.

⁽³⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

[Remainder of page intentionally left blank.]

Operating Revenue for the Communities

The historical operating revenue for the Communities for each of the fiscal years ended December 31, 2014 through 2016 (audited) and for the five-month period ended May 31, 2016 and 2017 (unaudited) is summarized by location and set forth in the following table:

Operating Revenue by Community

Facility	Fiscal Year Ending Dec. 31			5 months ending ⁽¹⁾	
	2014	2015	2016	5/31/16	5/31/17
WEL Pennypack Park	\$14,153,697	\$14,214,486	\$14,036,217	\$6,040,423	\$6,388,162
WEL Doylestown	14,401,560	14,345,442	15,174,596	6,441,103	6,740,964
WEL Upper Moreland	5,981,335	6,193,842	6,038,500	2,411,066	2,504,805
WEL Stapeley	14,712,380	14,437,709	14,468,491	6,179,605	6,693,602
WEL Main Line	N/A ⁽²⁾	14,955,630	16,447,004	5,909,574	6,096,695
Total	\$49,248,972	\$64,147,109	\$66,164,808	\$26,981,771	\$28,424,228

⁽¹⁾ Unaudited.

⁽²⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

Revenue by Service Line for the Communities

The historical revenue by service line for the Communities for each of the fiscal years ended December 31, 2014 through 2016 (audited) and for the five-month period ended May 31, 2016 and 2017 (unaudited) is summarized in the following table:

Revenue by Service Line/Product for the Obligated Group

Facility	Fiscal Year Ending Dec. 31			5 months ending ⁽¹⁾	
	2014 ⁽²⁾	2015 ⁽²⁾	2016	5/31/16	5/31/17
Independent Living	\$9,562,018	\$14,349,339	\$14,527,842	\$6,166,520	\$6,244,729
Personal/Memory Care	7,003,610	8,703,113	9,173,803	3,658,226	3,912,056
Skilled Nursing	25,364,178	30,029,987	30,191,244	12,878,681	12,856,446
Medicare Part B	486,612	803,714	352,437	10,086	248,142
Entrance Fee Amort.	5,267,145	7,718,594	9,373,901	3,081,810	3,289,168
Other Operating Rev.	1,565,409	2,542,362	2,545,581	1,186,448	1,873,687
Total	\$49,248,972	\$64,147,109	\$66,164,808	\$26,981,771	\$28,424,228

⁽¹⁾ Unaudited.

⁽²⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

[Remainder of page intentionally left blank.]

Annual Gross Entrance Receipts by Community

The historical gross entrance fees received for the Communities for each of the fiscal years ended December 31, 2014 through 2016 (audited) and for the five-month period ended May 31, 2016 and 2017 (unaudited) is summarized by location in the following table:

Annual Gross Entrance Receipts by Community for the Obligated Group

Facility	Fiscal Year Ending Dec. 31			5 months ending ⁽¹⁾	
	2014	2015	2016	5/31/16	5/31/17
WEL Pennypack Park	\$715,000	\$608,500	\$415,000	\$95,000	\$110,000
WEL Doylestown	4,424,995	4,353,823	4,578,735	1,040,863	1,236,600
WEL Upper Moreland	1,721,265	3,000,220	3,444,007	978,075	266,100
WEL Stapeley	253,000	107,000	198,200	99,500	90,000
WEL Main Line	N/A ⁽²⁾	2,989,347	2,173,266	844,007	1,047,809
Total	\$7,114,260	\$11,060,905	\$10,809,208	\$3,067,445	\$2,750,509

⁽¹⁾ Unaudited.

⁽²⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

Annual Net Entrance Fees Collected (after Refunds) by Community

The historical Net Entrance Fees received for the Communities for each of the fiscal years ended December 31, 2014 through 2016 (audited) and for the five-month period ended May 31, 2016 and 2017 (unaudited) are summarized by location in the table below. As noted previously, the Obligated Group typically offers new residents nonrefundable contracts. However, the Obligated Group does have a small percentage of remaining legacy refundable contracts. A portion of the proceeds of the Series B Bonds (approximately \$12,600,000) will be held by the Bond Trustee in the Entrance Fee Refund Reserve Fund under the Bond Indenture and amounts therein may be utilized by the Obligated Group to satisfy entrance fee refund obligations until such funds are exhausted. After such funds have been exhausted, in connection with the phase out of the refundable entrance fee contracts, the Obligated Group's remaining exposure to refundable contracts is expected to be minimal and not a material annual expense. See "RESIDENCY AGREEMENTS AND LEVELS OF CARE - Termination of Residency Agreement; Entrance Fee Refunds" and "- Entrance Fee Refund Reserve Fund" herein.

Annual Net Entrance Fees Collected (after Refunds) for the Obligated Group

Facility	Fiscal Year Ending Dec. 31			5 months Ending ⁽¹⁾	
	2014	2015	2016	5/31/16	5/31/17
WEL Pennypack Park	\$715,000	\$608,500	\$415,000	\$95,000	\$61,381
WEL Doylestown	2,417,218	2,821,087	3,320,939	641,243	1,001,658
WEL Upper Moreland	1,187,652	2,345,161	2,296,634	519,871	213,510
WEL Stapeley	253,000	107,000	177,200	99,500	90,000
WEL Main Line	N/A	2,300,327	992,658	212,475	467,930
Total	\$4,572,870	\$8,182,075	\$7,202,431	\$1,568,089	\$1,834,479

⁽¹⁾ Unaudited.

⁽²⁾ WEL became sole member of WEL Main Line during fiscal year ending December 31, 2015. Certain financial results for prior periods are not available.

HISTORICAL FINANCIAL RATIOS

The information set forth below reflects certain financial ratios computed on the basis of the financial results of WEL, WEL Pennypack Park, WEL Doylestown, WEL Upper Moreland and WEL Stapeley (the “Prior Obligated Group”) and does not take into account the financial results of WEL Main Line or WEL Home Partners. The calculations were prepared in accordance with financial covenants required under the terms of agreements relating to the indebtedness that will be refunded with a portion of the proceeds of the Bonds. **The interest rate and repayment terms of the prior indebtedness as well as the financial covenants required pursuant to the agreements relating to the prior indebtedness differ, in ways that are material, from the interest rate and repayment terms of the Bonds and the covenants in the Master Indenture.**

Historical Cash Position

The following table highlights the historical days cash on hand of the Prior Obligated Group as of the last day of each of the fiscal years ended December 31, 2014 through 2016.

Days Cash on Hand of Prior Obligated Group*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Days Cash on Hand	203	171	165

* Prepared in accordance with financial covenants required under the terms of agreements relating to the indebtedness that will be refunded with a portion of the proceeds of the Bonds. See “HISTORICAL FINANCIAL RATIOS – General” above.

Debt Service Coverage Ratio

The following table highlights the historical debt service coverage ratio of the Prior Obligated Group for each of the fiscal years ended December 31, 2014 through 2016.

Debt Service Coverage Ratio of Prior Obligated Group*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Service Coverage Ratio	1.32	1.27	1.29

* Prepared in accordance with financial covenants required under the terms of agreements relating to the indebtedness that will be refunded with a portion of the proceeds of the Bonds. See “HISTORICAL FINANCIAL RATIOS – General” above.

[Remainder of page intentionally left blank.]

STATEMENT OF OPERATIONS

The following table presents a summary statement of operations for the Obligated Group (including WEL Main Line, beginning with the results for fiscal year ending December 31, 2015). The information for the years ended December 31, 2014 through 2016 was derived from information in the audited consolidated financial statements of WEL. The information for the five month periods ending May 31, 2016 and 2017 was derived from the unaudited consolidated financial statements of WEL. Operating results for the five-month period ended May 31, 2017 may not necessarily be indicative of the actual results for the full fiscal year ending December 31, 2017. The following data should be read in conjunction with the consolidated audited financial statements and notes thereto, presented in Appendix B.

Obligated Group Summary Statement of Operations

	Fiscal Year Ending December 31			Five Month Period Ending	
REVENUE AND OTHER SUPPORT	2014	2015	2016	5/31/2016	5/31/2017
Resident and Health Care Fees, Net of	\$ 42,363,538	\$ 52,133,079	\$ 54,179,337	\$ 25,795,323	\$ 26,550,541
Amortization of Deferred Entrance Fee Revenue	5,275,057	7,525,161	9,373,901	-	-
Interest Income	124,191	127,136	118,363	42,969	64,641
Investment Income	953,095	1,243,914	419,090	(39,294)	106,727
Contributions	697,700	418,799	366,203	182,214	78,338
Other	1,774,537	2,667,731	2,759,993	1,218,758	1,901,148
Net Assets Released from Restrictions	129,769	426,465	203,447	-	-
TOTAL REVENUE AND OTHER SUPPORT	\$ 51,317,887	\$ 64,542,285	\$ 67,420,334	\$ 27,199,970	\$ 28,701,395
EXPENSES					
Personnel	\$ 30,113,812	\$ 39,622,822	\$ 40,843,578	\$ 17,210,805	\$ 17,309,418
Food	2,012,021	2,811,809	2,990,229	1,210,355	1,218,878
Supplies	2,413,567	2,962,256	3,048,335	1,325,342	1,306,983
Utilities	2,042,082	2,536,574	2,508,016	1,133,509	1,261,222
Contracts	5,263,355	7,394,542	7,387,185	1,958,314	1,961,790
Real Estate Taxes	738,872	1,035,502	1,038,424	427,542	439,083
Insurance	260,127	433,509	311,282	146,281	139,758
Interest Expense	2,562,341	2,666,005	2,814,645	1,049,906	959,710
Depreciation	4,127,334	6,579,942	5,225,298	2,126,340	2,166,392
Amortization of Intangible Assets	-	-	1,082,000	89,717	530,332
Bad Debt Expense	625,170	518,333	416,445	87,499	100,457
Other Expenses	-	-	-	455,428	377,645
TOTAL EXPENSES	\$ 50,158,681	\$ 66,561,294	\$ 67,665,437	\$ 27,221,038	\$ 27,771,668
OPERATING INCOME / (LOSS)	\$ 1,159,206	\$ (2,019,009)	\$ (245,103)	\$ (21,068)	\$ 929,727

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

Revenue Strategies

The Obligated Group has continued to focus on census development for all facilities. Maintaining a high level of census is paramount to the success of the operating facilities. Market monitoring of entrance fees and monthly room and board fee allows the facilities to maintain an optimal market position relevant to its competition. Aggressive marketing and waiting list development are tools utilized to keep the flow of new residents current at the facilities. The

Obligated Group also employees outside firms to monitor investment performance, maximizing return while maintaining an investment portfolio with long term stability.

Expense Strategies

The Obligated Group continuously monitors all expense categories. Special attention is paid to the staffing levels for all resident care. Monitoring of market rates for all professional staff and strict adherence to budgeted staffing levels are important tools for successful staffing. The Obligated Group has begun to utilize the synergies among all operating entities to develop single source purchasing for goods and services.

Results of Operations

Fiscal Year Ended December 31, 2014 Compared to Fiscal Year Ended December 31, 2015

Revenues: Overall operating revenues increased by \$13,224,398 for the period. The addition of ten months of WEL Main Line revenues (WEL became sole member of WEL Main Line on March 1, 2015) accounted for an increase of \$13,688,902. Same facility revenues decreased by (\$464,504). Increased resident related revenues of \$273,155 was offset by decreased investment income and other operating income of (\$737,659).

Expenses: Overall expenses increased by \$16,402,613 with the acquisition of WEL Main Line accounting for \$14,389,984 of the total. Same facility expenses increased by \$2,012,629, which reflects an increase of \$1,811,106 in Personnel costs and \$377,577 in Depreciation. Days Cash on Hand decreased from 203 days to 171 days, driven in large part by capital expenditures at WEL Doylestown and WEL Upper Moreland of approximately \$1,619,000 and the payment of refundable entrance fees at those Communities of approximately \$946,000.

Fiscal Year Ended December 31, 2015 Compared to Fiscal Year Ended December 31, 2016

Revenues: Overall operating revenues increased by \$2,878,849 for the period. WEL Main Line had a full fiscal year of operation (two additional months) and the operating revenue attributable to WEL Main Line increased by \$2,962,592 from the prior period. Same facility revenue decreased by \$84,543. Resident related revenue increased by \$874,491 or 1.83%. Decreases in investment income and other operating income of (\$959,034) offset the gains in resident related revenue.

Expenses: Overall operating expenses increased by \$1,104,143 for the period. The expenses attributable to WEL Main Line increased by \$962,481 from the prior period due in part to the additional two months of operations. Same facility expenses increased by \$141,622 or .27%. Increases in personnel costs, contracted services and interest expense of \$612,698 were largely offset by savings of \$471,036 in other categories. Days Cash on Hand decreased from 171 days to 165 days, driven by capital expenditures at WEL Doylestown and WEL Upper Moreland of approximately \$1,281,000 and payment of refundable entrance fees at those Communities of approximately \$1,021,000.

Five Months Ended May 31, 2016 Compared to Five Months Ended May 31, 2017

Revenues: Operating revenues increased by \$1,501,425 or 5.52% for the period. Resident related revenue was up \$755,218 or 2.93%. All three care levels (ILU, PC, SNF) experienced increases due in part to increased rates and slightly increased census at all levels.

Expenses: Operating expenses for the period were up \$550,630 or 2.02%. Most categories were primarily close to or slightly ahead of the same period last year. Increased Personnel costs of \$98,613 were due in part to annual increases. Amortization expense increased due in part to the timely amortization of the WEL Main Line intangible asset recorded at the time of affiliation.

MARKET METHODOLOGY AND COMPETITION

Marketing Methodology

In 2004, WEL began operating under the name Wesley Enhanced Living. This name change marked the launch of a new broad-based branding campaign based on the following philosophy: WEL is committed to enriching life for people who are dedicated to living. WEL connects its residents and customers to new experiences that enable them to pursue passions, circumvent limitations and live a purpose-full life.

The marketing goals of the Obligated Group are to establish and grow awareness for unique “enhanced living” across WEL’s retirement communities, among all markets and to sustain 100% occupancy levels in WEL’s independent living, assisted living, and skilled nursing service levels. The Obligated Group’s most targeted markets include: adults age 62 and older and their immediate family members, professional clinical, social and business entities that serve older adults, clergy, and Obligated Group donors.

Service enhancements include the ongoing development of unique programs that have the capacity to engage adults age 62 and older and provide for mental, physical, and spiritual growth. Marketing communications strategies include an inside/outside direct sales force deployed around each Community’s service area to sell units/services. Direct selling is coupled with a tailored, integrated media campaign that includes high frequency print advertising in local newspapers, radio advertising, direct mail programs, publicity/media relations program, outreach, newsletters, brochures, an interactive website and community-based events.

The marketing of all accommodations and services for WEL is overseen by WEL's Vice President of Marketing, with oversight for each Community provided by the Community’s respective Executive Director. The sales functions for each Community are overseen by their respective Executive Directors. WEL’s Marketing Department, with assistance from other personnel as needed, handles all aspects of all admissions. The Marketing Department is responsible for occupancy development, onboarding of new residents, internal moves through the continuum of services and building a referral base as well as events at the communities such as “open houses.” The Marketing Department is also responsible for maintaining current market analysis and for conducting focus groups.

Competition

The Obligated Group faces competition from similar facilities operating in or near each of its market areas and may face additional competition in the future as a result of the construction of new competitive facilities or the expansion of existing competitive facilities, as discussed in further detail in the Feasibility Study. See the Feasibility Study attached to this Official Statement as Appendix C.

ADDITIONAL INFORMATION

Employees and Staffing

As of May 31, 2017, the Obligated Group employed 588 full-time and 535 part-time employees, none of whom are members of labor unions. Management believes its salaries and benefits package is competitive with other comparable institutions in the service areas in which it operates. Management believes its employee relations are satisfactory, enhanced by emphasis on communications at all levels.

Summary of Insurance Information

The Members of the Obligated Group are insured through various commercial policies issued by the CNA Insurance, AIG and Travelers to Members of the Obligated Group and Non-Obligated Group Entities.

Currently, blanket “all risk” buildings and contents coverage is carried in the amount of \$197,106,000 (on a replacement cost basis) subject to \$10,000 occurrence deductible and blanket business income/extra expense coverage at a \$58,749,324 limit, subject to a 72 hour waiting period deductible. Additional coverages include flood and earthquake each at \$5,000,000 aggregate limits. Boiler and Machinery is included in the blanket building limit. Commercial Crime coverage is in place as follows: \$500,000 Employee Theft, \$250,000 Forgery or Alterations, \$250,000 Funds Transfer Fraud and a \$2,500,000 Fiduciary Liability limit. Management Liability coverage is in place with a \$10,000,000 shared limit between Directors & Officers/ Employment Practice Liability with a \$75,000 per claim retention. Business Auto liability coverage is carried at a \$1,000,000 per accident limit with Physical Damage being covered on an Actual Cash Value basis.

The Obligated Group maintains a self-insured plan for general and professional liability coverages. The self-insurance plan contemplates fund set asides and reserves on a claims-made basis. Over and above the self-insured coverage, WEL Doylestown, WEL Pennypack Park, WEL Stapeley and WEL Main Line participate in the Pennsylvania MCare program for professional liability, which provides coverage only for professional liability claims in a skilled nursing setting. With respect to such claims, Mcare provides coverage of up to \$500,000 per occurrence and \$1,500,000 in annual aggregate losses after the first \$500,000 per occurrence and \$1,500,000 in annual aggregate losses has been incurred.

All employees of the Obligated Group are protected via the existence of a self-funded/self-insured workers’ compensation program administered for WEL and its affiliates by AmeriHealth Casualty Services, covering employment-related injuries and diseases. The

program also maintains excess insurance through Midwest Employers Casualty Company with a specific retention of \$450,000 per accident/occurrence. In addition, the primary excess workers' compensation layer has an aggregate annual retention point of approximately \$1,368,836. The policy has a \$2,000,000 aggregate annual limit for all losses combined. Loss of wage benefits and medical expenses are payable to the injured employees who cannot work because of work-related illnesses or injuries. The policy also covers Employers Liability with a \$450,000 retention followed by a \$1,000,000 limit of liability.

Finally the policy has a cash flow protection endorsement indemnifying WEL for any loss paid in excess of the retention amount as follows:

- The first \$202,500 paid during the first twelve (12) months from the accident date or disease exposure date.
- The first \$135,000 paid during the second twelve (12) months from the accident date or disease exposure date.
- The first \$112,500 paid during the third twelve (12) months from the accident date or disease exposure date.

Concurrently with the issuance of the Bonds, the Obligated Group expects to enter into a Letter of Credit Reimbursement Agreement or similar agreement (the "Reimbursement Agreement") with a qualifying financial institution to procure a letter of credit for the benefit of the Pennsylvania Bureau of Workers' Compensation in the approximate amount of \$500,000 to meet statutory requirements applicable to Pennsylvania employers who self-insure for workers' compensation. The Obligated Group's obligations under the Reimbursement Agreement are expected to be secured by an Obligation issued under the Master Indenture.

Operating and Capital Plan Process

The Obligated Group prepares an in-depth analysis of the needs of the Obligated Group during the third quarter of each year. Current facility performance, industry trends, current competitive markets, housing trends and projected needs are analyzed. All facilities have input into their respective facility needs and conduct the analysis in conjunction with the corporate finance staff. All budgets are first approved by the corporate finance staff then presented to the Finance Committee of WEL and eventually the WEL Board of Directors for approval.

Insurance Coverage for Residents; Medical Costs Containment

Each resident is required to maintain medical and surgical insurance. Each resident must carry Medicare A and B coverage or Medicare Advantage Plan and carry Medigap policies or the equivalent to defray the cost of medical expenses. If a resident fails to remain insured, each Community reserves the right to terminate the residency agreement.

In order to reduce costs of nursing care, and to keep costs of services to all residents of each Community to a minimum, residents are required, in cooperation with their respective Community, to take every step possible through federal, state, municipal or private plans or programs of medical, surgical and/or hospitalization insurance to reimburse each Community for

services to the extent the resident's stated insurance plans or government programs provide. The medical and surgical insurance plan of each resident is reviewed periodically by each respective Community.

Litigation

Because of the nature of their operations, the Members of the Obligated Group are subject to pending and threatened legal actions which arise in the normal course of their activities. No litigation or proceedings are pending or, to the knowledge of the Members of the Obligated Group, threatened against any of the Members of the Obligated Group which questions the right of any Member of the Obligated Group, as applicable, to enter into the transactions contemplated by the Official Statement or to enter into the Loan Agreement, the Master Trust Indenture, the Mortgages or any of the other documents required in connection with the issuance of the Bonds. No litigation or proceedings are pending or, to the knowledge of the Members of the Obligated Group, threatened against any of the Members of the Obligated Group other than litigation and proceedings which if adversely determined would not, in the opinion of management of the Obligated Group, materially adversely affect the financial condition or results of operations of the Obligated Group.

Investment Policy

Generally, WEL has a socially conscious investment policy which limits its investments in guns, alcohol, tobacco, etc. WEL desires to maintain a balance of approximately 70% equity securities and 30% fixed income bonds. All funds are managed by third party investment managers selected by the Finance Committee of the WEL Board. The performance of the managers is reviewed annually by the Finance Committee at an in-person meeting.

Benevolent Care

The Communities provide benevolent care in the form of financial assistance to independent living and personal care residents who meet certain criteria. During the years ended December 31, 2016 and 2015, the Communities provided approximately \$959,829 and \$629,787, respectively, in benevolent care. Benevolent care does not include any Medicaid subsidies. During the years ended December 31, 2014 and 2013, the Communities provided approximately \$570,979 and \$693,593, respectively, in benevolent care.

Budget Policy

The budgeting process begins with a complete and detailed competitive analysis of monthly fees and entrance fees by the WEL Marketing/Sales department. This leads to recommendations from Marketing/Sales as to the monthly fee and entrance fees for the upcoming fiscal year based on their analysis. In conjunction with the CEO and CFO, anticipated census levels, payer mix, new Independent Living Unit sales and turnovers are then taken into account based upon both historical and marketplace data.

All operating expense budgets are prepared by the various Executive Directors of each Community and their staff. Each department head is responsible for budgeting the department's projected operating needs for personnel and other expenses. The Executive Directors review

each department's result prior to the inclusion of the department's figures into the facility wide operating statements.

The CFO and Finance department then consolidate the information described above and distribute the budget to the Executive Directors. The Executive Directors will present their budget to the CEO and CFO in a series of meetings explaining the rationale for any changes in operations. The results of the meetings are incorporated into the Communities' budgets and changes are made accordingly.

The CFO will then create a WEL consolidated budget for the upcoming five fiscal years based upon the results of the individual Community budgets. The CFO will ensure that the budgets achieve or exceed all applicable financial covenants.

The budget process generally begins in late August and is presented to the WEL Board at its October Board meeting. This timing allows enough time to provide adequate notice to residents for any rate changes as prescribed by the Pennsylvania Department of Insurance.

Licensure and Memberships

The Obligated Group's facilities are licensed by the Commonwealth of Pennsylvania to provide skilled nursing and assisted living levels of care offered and all such licenses are current. The facilities also have appropriate certificates of authority from the Pennsylvania Insurance Department to operate as continuing care retirement communities.

APPENDIX B
CONSOLIDATED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2016 AND 2015

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	39
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS	41

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wesley Enhanced Living and Subsidiary Organizations
Hatboro, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wesley Enhanced Living and Subsidiary Organizations, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wesley Enhanced Living and Subsidiary Organizations as of December 31, 2016 and 2015, and the results of their operations and changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, Wesley Enhanced Living and Subsidiary Organizations adopted a recently issued accounting standard related to the accounting for the debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Other Information

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
May 26, 2017

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,807,691	\$ 6,966,819
Accounts Receivable, Net of Allowance	4,992,528	5,236,604
Other Accounts Receivable	10,465	12,556
Prepaid Expenses and Other Current Assets	908,946	1,004,676
Current Portion of Assets Limited as to Use	<u>5,089,426</u>	<u>5,066,115</u>
Total Current Assets	16,809,056	18,286,770
 INVESTMENTS AND ASSETS LIMITED AS TO USE		
Investments	14,304,200	15,406,319
Statutory Liquid Reserves	4,068,097	4,490,173
Assets Limited as to Use - Liquidity Reserve	<u>227,728</u>	<u>258,291</u>
Total Investments and Assets Limited as to Use	18,600,025	20,154,783
 REMAINDER INTEREST IN CHARITABLE TRUST	3,536,954	3,748,083
 PROPERTY AND EQUIPMENT, NET	110,312,651	113,514,959
 INTANGIBLE ASSETS	4,632,533	5,714,533
 CASH HELD FOR RESIDENTS	<u>195,456</u>	<u>236,508</u>
 Total Assets	<u><u>\$ 154,086,675</u></u>	<u><u>\$ 161,655,636</u></u>

	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 2,464,977	\$ 2,370,748
Current Portion of Annuities Payable	36,320	49,773
Accounts Payable	5,187,968	6,450,730
Accrued Expenses and Other	3,764,053	4,568,336
Accrued Interest Payable	172,359	160,089
Resident Prepaid Rent	1,256,369	1,394,818
Total Current Liabilities	<u>12,882,046</u>	<u>14,994,494</u>
LONG-TERM DEBT, NET	85,999,314	88,346,754
ENTRANCE FEES AND DEPOSITS		
Deposits	1,458,368	1,196,344
Refundable Portion of Entrance Fees	8,472,690	11,029,741
Deferred Revenue from Entrance Fees	32,159,377	32,694,190
Total Entrance Fees and Deposits	<u>42,090,435</u>	<u>44,920,275</u>
ANNUITIES PAYABLE, NET OF CURRENT PORTION	163,480	162,305
FAIR VALUE OF INTEREST RATE SWAPS	2,817,208	3,436,976
CASH HELD FOR RESIDENTS	<u>195,456</u>	<u>236,508</u>
Total Liabilities	144,147,939	152,097,312
NET ASSETS		
Unrestricted	5,503,518	4,885,297
Temporarily Restricted	762,826	806,648
Permanently Restricted	3,672,392	3,866,379
Total Net Assets	<u>9,938,736</u>	<u>9,558,324</u>
Total Liabilities and Net Assets	<u>\$ 154,086,675</u>	<u>\$ 161,655,636</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Revenue, Gains, and Other Support:		
Resident and Health Care Fees, Net of Benevolent Care	\$ 56,812,468	\$ 54,998,437
Amortization of Deferred Entrance Fee Revenue	9,379,585	7,534,475
Interest Income	118,906	127,995
Investment Income	419,728	1,244,708
Contributions	366,203	418,799
Other	2,668,903	2,572,160
Net Assets Released from Restriction	203,447	426,465
Total Unrestricted Revenues, Gains, and Other Support	69,969,240	67,323,039
EXPENSES		
Personnel	42,177,076	41,159,933
Food	3,117,874	2,961,033
Supplies	3,107,945	3,034,018
Utilities	2,722,459	2,806,481
Contracts	7,828,722	7,902,119
Real Estate Taxes	1,038,424	1,054,321
Insurance	403,994	546,055
Interest Expense	3,207,038	3,269,103
Depreciation	5,878,378	6,138,975
Amortization of Intangible Assets	1,082,000	930,569
Bad Debt Expense	447,245	525,858
Total Expenses	71,011,155	70,328,465
OPERATING LOSS	(1,041,915)	(3,005,426)
OTHER INCOME (LOSS)		
Loss on Extinguishment of Debt	-	(84,474)
Contribution Received in Acquisition of WEL at Main Line	-	5,084,893
Acquisition Costs	-	(789,463)
Loss on Sale of Brodheadsville	-	(91,068)
Total Other Income	-	4,119,888
REVENUES AND OTHER SUPPORT IN EXCESS OF (LESS THAN) EXPENSES AND LOSSES	(1,041,915)	1,114,462
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net Unrealized Gain (Loss) on Investments and Assets Limited as to Use	1,040,368	(1,733,858)
Change in Fair Value of Interest Rate Swap Agreement	619,768	218,491
Total Other Changes in Unrestricted Net Assets	1,660,136	(1,515,367)
CHANGE IN UNRESTRICTED NET ASSETS	618,221	(400,905)

See accompanying Notes to Financial Statements.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ 618,221	\$ (400,905)
TEMPORARILY RESTRICTED NET ASSETS		
Contribution Received in Acquisition of WEL at Main Line	-	962,123
Contributions	159,625	194,445
Net Asset Released from Restriction	<u>(203,447)</u>	<u>(426,465)</u>
Total Changes in Temporary Restricted Net Assets	(43,822)	730,103
PERMANENTLY RESTRICTED NET ASSETS		
Contribution Received in Acquisition of WEL at Main Line	-	177,808
Change in Charitable Trust Remainder Interest	<u>(193,987)</u>	<u>(203,116)</u>
Total Changes in Permanently Restricted Net Assets	<u>(193,987)</u>	<u>(25,308)</u>
CHANGE IN NET ASSETS	380,412	303,890
Net Assets - Beginning of Year	<u>9,558,324</u>	<u>9,254,434</u>
NET ASSETS - END OF YEAR	<u><u>\$ 9,938,736</u></u>	<u><u>\$ 9,558,324</u></u>

See accompanying Notes to Financial Statements.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 380,412	\$ 303,890
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,878,378	6,138,975
Amortization of Deferred Financing Costs	277,320	183,394
Amortization of Intangible Assets	1,082,000	930,569
Affiliation with WEL at Main Line	-	(6,224,824)
Loss on Sale of Brodheadsville	-	223,042
Loss on Extinguishment of Debt	-	84,474
Amortization of Deferred Revenue	(9,379,585)	(7,534,475)
Net Realized and Unrealized (Gains) Losses on Investments	(1,206,498)	1,025,806
Change in Fair Value of Interest Rate Swap Agreements	(619,768)	(218,491)
Proceeds Received from Entrance Fees, Net of Deposits	6,287,721	7,933,567
Change in Remainder Interest in Charitable Trust	193,987	203,116
(Increase) Decrease in (Net of Acquisition of Main Line):		
Accounts Receivable	244,076	(1,443,286)
Other Receivables	2,091	602,256
Prepaid Expenses and Other Assets	112,872	218,152
Increase (Decrease) in (Net of Acquisition of Main Line):		
Annuities Payable	(12,278)	(56,829)
Accounts Payable	(1,262,762)	1,290,871
Accrued Expenses	(804,283)	649,100
Accrued Bond Interest	12,270	(82,376)
Deposits	123,575	18,651
Net Cash Provided by Operating Activities	<u>1,309,528</u>	<u>4,245,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and Equipment	(2,396,437)	(3,426,416)
Additions to Construction in Progress	(279,633)	(21,064)
Cash Acquired in Acquisition of Main Line	-	399,579
Change in Assets Limited as to Use and Investments	<u>2,737,945</u>	<u>2,690,209</u>
Net Cash Provided (Used) by Investing Activities	61,875	(357,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to Deferred Financing Costs	-	(558,459)
Redemption of Long-Term Debt	-	(1,710,454)
Proceeds of Long-Term Debt	-	1,710,454
Principal Payments on Long-Term Debt	<u>(2,530,531)</u>	<u>(2,308,147)</u>
Net Cash Used by Financing Activities	<u>(2,530,531)</u>	<u>(2,866,606)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,159,128)	1,021,284
Cash and Cash Equivalents - Beginning of Year	<u>6,966,819</u>	<u>5,945,535</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,807,691</u></u>	<u><u>\$ 6,966,819</u></u>

See accompanying Notes to Financial Statements.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u>\$ 2,917,448</u>	<u>\$ 3,168,085</u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of Martins Run:		
Property and Equipment, Net	\$ -	\$ (19,483,800)
Intangibles and Other Assets	-	(12,609,212)
Long-Term Debt Assumed	-	6,160,002
Other Liabilities	-	20,107,765
Cash Received in Acquisition of Martins Run	-	(399,579)
Acquisition of Martins Run	<u>\$ -</u>	<u>\$ (6,224,824)</u>

See accompanying Notes to Financial Statements.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Evangelical Services for the Aging, dba Wesley Enhanced Living (WEL), is a not-for-profit corporation and the sole member of Wesley Enhanced Living Pennypack Park (Pennypack Park), Wesley Enhanced Living Doylestown (Doylestown), Wesley Enhanced Living Burholme (Burholme), Wesley Enhanced Living Upper Moreland (Upper Moreland), Wesley Enhanced Living at Stapeley (Stapeley), and Wesley Enhanced Living Main Line (Main Line). The board of directors of WEL appoints the boards of directors of the six facilities. Pilgrim Gardens Senior Housing, L.P. (Burholme SR), is a limited partnership where WEL is the limited and general partner.

Wesley Enhanced Living Foundation (the Foundation) is a not-for-profit corporation that engages in fund-raising activities for WEL and its subsidiaries, and the board of directors of WEL appoints the board of directors of the Foundation.

Pennypack Park, Doylestown, Burholme, Burholme SR, Upper Moreland, Brodheadsville, Stapeley, and Main Line are collectively referred to as the "Communities." WEL, the Communities, and the Foundation are collectively referred to as the "Organization."

The Organization maintains a historical and philosophical relationship with the Eastern Pennsylvania Conference of the United Methodist Church.

Pennypack Park

Pennypack Park, located in Philadelphia, Pennsylvania, is a not-for-profit continuing care retirement community that provides retirement apartment living and nursing care to its residents. Pennypack Park's facilities include 89 residential apartments, 21 personal care units, and a 120-bed health center.

Doylestown

Doylestown, located in Doylestown, Pennsylvania, is a not-for-profit continuing care retirement community that operates a retirement, personal care, and nursing facility consisting of 218 apartments and a 60-bed health center.

Burholme

Burholme, located in Philadelphia, Pennsylvania, is a not-for-profit personal care facility that consists of 57 units for personal care services.

Burholme SR

Burholme SR is owned by Pilgrim Gardens Senior Housing, L.P. (PGSH, LP) a Pennsylvania limited partnership. Pilgrim Gardens Senior Housing GP, LLC (PGGP, LLC) a Pennsylvania limited liability corporation, is the general partner of the partnership. WEL is the sole member of PGGP, LLC. WEL is the limited and general partner. Burholme SR is located on the same campus as Burholme in Philadelphia, Pennsylvania. Burholme SR is a residential living community with 62 units for low to moderate income elderly and disabled adults 62 years of age or older.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Upper Moreland

Upper Moreland, located in Hatboro, Pennsylvania, is a not-for-profit continuing care retirement community that provides residential living and personal care. Upper Moreland's facilities include 38 cottages, 112 apartments, and 33 personal care units.

Brodheadsville

Brodheadsville, located in Monroe County, Pennsylvania, is a 40-bed not-for-profit personal care, Alzheimer's, and dementia care facility. In March 2015, Brodheadsville was sold.

Stapeley

Stapeley is a not-for-profit organization that operates a continuing care retirement community in Philadelphia, Pennsylvania, providing housing, health care, and other related services to elderly residents through the operation of a facility that includes 120 skilled nursing beds, 67 personal care units, and 43 residential apartments.

Main Line

Main Line, located in Marple Township, Pennsylvania, is a continuing care retirement community (CCRC) that provides housing, health care, personal care, and other related services to residents through the operation of a 60-bed skilled nursing home (the Meadows), a 30-bed personal care unit (the Pines), and 168 independent living units (ILU). Main Line, formerly Martins Run, affiliated with WEL on March 1, 2015 (see Note 16).

In 2010, Main Line formed Martins Run Home Partners (MRHP), a wholly owned subsidiary which operates a home care agency. MRHP offers supportive services and a caring staff that emphasize a holistic approach to home based care for older persons with a variety of needs and conditions. MRHP provides programs and services to allow older persons to continue to live independently as long as possible.

Apartment and cottage residents of Pennypack Park, Doylestown, Upper Moreland, and Stapeley, pay a one-time entrance fee, plus a monthly fee for room, board, housekeeping, social and other services. The one-time entrance fee may be refundable under various guidelines. Residents of Main Line are also offered life care contracts.

Health center residents of Pennypack Park, Doylestown, Stapeley, and Main Line pay the prevailing daily rate, which approximates the rate charged by independent nursing homes. Residents receiving personal care services pay the prevailing daily rate, which approximates the rate charged by other comparable personal care facilities.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the financial statements of WEL, the Communities, and the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation.

New Accounting Pronouncements

The Organization has adopted accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-13 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt liability by \$3,757,239 as of January 1, 2016. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents, except for amounts included with unrestricted investments, statutory liquid reserves, and assets limited as to use.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts based on the allowance method using management's judgment considering historical information. Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts are continually analyzed for collectability and management determines when accounts are written off. At December 31, 2016 and 2015, the allowance for doubtful accounts was \$504,111 and \$542,033, respectively.

Investments

The Organization's investments, statutory liquid reserves, and assets limited as to use are reported at their fair values, based on quoted market prices. Changes in fair value are recognized in the consolidated statements of operations and changes in net assets.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statutory Liquid Reserves

Under the provisions of Section 9 of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82), the Communities who offer continuing care agreements must maintain a statutory minimum liquid reserve as of year-end. The Statutory Liquid Reserve calculations are described more fully in the notes to the consolidated financial statements (see Note 14).

Assets Limited as to Use

Assets limited as to use include assets held by a bank, a designated entity under the indenture agreements.

Remainder Interest in Charitable Trusts

Stapeley received contributions of various charitable trusts. Under the charitable trust agreements, Stapeley recorded an asset and recognized permanently restricted contribution revenue at the fair market value of Stapeley's beneficial interest in the trust assets. Income earned on the trust assets and distributed to Stapeley is recorded as unrestricted investment income in the accompanying consolidated statements of operations and changes in net assets unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gains or losses in permanently restricted net assets.

Property and Equipment

Property and equipment with a useful life of greater than one year in excess of \$500 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

The Organization records impairment losses on property and equipment when events and circumstance indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

Based on management's impairment process, no impairment losses have been recorded as of December 31, 2016 and 2015.

Intangible Assets

Indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or when indicators of a potential impairment are present. No impairment loss for indefinite-lived intangibles was recognized during 2016 or 2015.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted and impairment charges recorded. No impairment was recorded during 2016 or 2015.

Deferred Financing Costs

The Organization incurred issuance costs relating to the issuance of long-term debt (see Note 6). These costs are being amortized over the term of the related indebtedness using the straight line method, a method which approximates the effective interest method. Amortization expense was \$277,320 and \$183,394 for the years ended December 31, 2016 and 2015, respectively. Amortization expense is properly recorded as a component of interest expense on the consolidated statements of operations and change in net assets.

Interest Capitalization

The Organization follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use.

Annuities Payable

The Organization receives contributions under a charitable gift annuity program. When an annuity is received, a liability is established for the annuity payments based on the annuitant's estimated life expectancy using a 6% discount rate. The Organization uses the IRS discount rates to determine the annuity payments. A portion of the annual annuitant payments are tax deductible based upon IRS guidelines. The remainder of the contribution is recognized as an increase in unrestricted net assets, unless specifically designated by the donor for another use. Upon the death of the annuitant, any remaining liability is recorded as income, based upon GAAP.

Deposits

Deposits include security deposits, priority deposits, and entrance fee deposits received from residents. No interest accrues on these deposits, and they are refundable, less any expenses incurred on behalf of the resident. At December 31, 2016 and 2015, such deposits were \$1,458,368 and \$1,196,344, respectively.

Entrance Fees

The non-refundable portion of entrance fees received from residents upon entering into a continuing care contract is recorded as deferred revenue. The refundable portion of the entrance fees received is recorded as a liability.

Pennypack Park, Doylestown, Upper Moreland, Stapeley, and Main Line offer entrance fee based contracts.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees (Continued)

Pennypack Park currently offers a standard fee contract. The standard fee contract is partially refundable over a 6 or 12 month period on a straight line declining basis. At the end of the 6 or 12 month period, no refund is due.

There are currently two types of entrance fee contracts offered for residents at Doylestown and Upper Moreland, the standard fee and refundable fee contracts. The standard fee contract is partially refundable over a 50-month period on a straight-line declining basis. At the end of the 50-month period, no refund is due. The refundable fee contract has a guaranteed refundable component of 75% of the total fee paid. The remaining 25% of the fee is refundable on a straight-line declining basis over 12.5 months.

Stapeley offers a standard fee contract. The standard fee contract is partially refundable over a 3-month period on a straight-line declining basis. At the end of the 3-month period, no refund is due.

Main Line previously offered three types of contracts to their residents. A nonrefundable contract is amortized using the resident's actuarially determined estimated remaining life expectancy, which is annually adjusted. Unamortized deferred revenue from nonrefundable entrance fees is recorded as revenue upon a resident's termination. This type of contract is no longer offered to residents.

Main Line offered a refundable entrance fee option where the Organization will refund a portion of the fee to the estate or the resident upon re-occupancy of the unit. The refundable fee contract has a guaranteed refundable component of either 90% or 50%, depending on the original contract signed, of the total fee paid. The remaining percentage of the fee is amortized over the life of the resident. This type of contract is no longer offered to residents.

Main Line currently offers a fee-for-service contract and life care refundable and non-refundable contracts. The fee-for-service contracts include an entrance fee that is paid and used for services indicated in the signed contract. In addition to the entrance fee, the resident will pay a monthly maintenance fee for the type of living accommodations selected. Under this contract, should the resident require routine nursing or personal care services the resident will be charged current per diem rates. Upon termination of this contract, the resident is entitled to a full refund upon reoccupancy of the unit.

Refunds of all entrance fees types are made only upon resale and re-occupancy of the unit.

Entrance fees are amortized into revenue over the resident's actuarially determined estimated life, which is recalculated annually. Generally, any unamortized entrance fees at the time of a resident's death or discharge are recorded as income net of any refunds.

The amount of contractually refundable entrance fees at December 31, 2016 and 2015 is approximately \$28,400,000 and \$30,700,000, respectively.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

Main Line calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees which includes adjustable periodic fees every three years. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The future service obligation is calculated using a discount rate of 6%. As of December 31, 2016 and 2015, there was no required adjustment for obligations to provide future services.

Net Assets

The consolidated financial statements present information regarding the Organization's financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted. The three classes are differentiated by donor restrictions:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. They include gifts restricted by donors for specific programs (i.e. resident assistance) and other operating purposes (i.e. improvements).

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that are required to be maintained permanently, thereby restricting the use of principal. Normally, donor stipulations allow part or all of the income earned to be used currently for a designated purpose.

Revenue Recognition

Revenue is recognized in the period in which the related services are rendered. Revenue is recorded based on standard charges applicable to all residents. Pennypack Park, Doylestown, Stapeley, and Main Line derive a portion of their revenue under Medicaid and Medicare. Under the Medicaid Program, Pennypack Park, Doylestown, Stapeley, and Main Line are reimbursed for services at prospectively determined rates per day. Under the Medicare Program, reimbursed rates vary according to a resident classification system that is based upon clinical, diagnostic, and other factors. The differences between established standard charges and the amounts reimbursable by these systems and resident payments are recorded as a deduction from revenues.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Benevolent Care

The Communities provide benevolent care in the form of financial assistance to independent living and personal care residents who meet certain criteria. During the years ended December 31, 2016 and 2015, the Communities provided approximately \$959,829 and \$629,787, respectively, in benevolent care. Benevolent care does not include any Medicaid subsidies.

Concentrations of Credit Risk

The Organization maintains financial instruments, including cash and cash equivalents, investments, and trustee held accounts at various regional financial institutions. The cash balances in each financial institution may exceed federal insurance limits from time to time.

Performance Indicator

The consolidated statements of operations and changes in net assets include revenues and other support in excess of (less than) expenses and losses. Consistent with industry practice, changes in unrestricted net assets that are excluded from the performance indicator are unrealized gains (losses) on investments and assets limited as to use, and change in fair value of interest rate swap agreements.

Income Taxes

Pennypack Park, Doylestown, Upper Moreland, Burholme, Stapeley, Main Line, WEL, and WEL Foundation have been recognized as exempt organizations as defined by Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes pursuant to Section 501(a) of the Code.

Pilgrim Gardens Senior Housing, L.P. is a partnership where WEL is the limited and general partner. Pilgrim Gardens Senior Housing GP, LLC, is a Pennsylvania limited liability corporation, where WEL is the sole member of the LLC. Pilgrims Gardens Senior Housing, L.P. is a disregarded entity for tax reporting purposes.

The Organization follows the provisions of the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of the income tax standard had no impact on the Organization's consolidated financial statements.

The Organization's income tax returns are subject to review and examination by federal and state authorities.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain items in the 2015 consolidated financial statements have been reclassified to conform with the 2016 financial statement presentation.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 26, 2017, the date the consolidated financial statements were issued. The results of this evaluation indicate that there are no subsequent events or transactions that are required to be disclosed in these consolidated financial statements.

NOTE 2 MEDICAID AND MEDICARE REIMBURSEMENT

Pennypack Park, Doylestown, Stapeley, and Main Line health centers are qualified as Medicaid and Medicare providers. Accounts receivable at December 31, 2016 and 2015 are approximately \$1,900,000 and \$1,800,000 due from Medicaid and \$468,782 and \$553,200 due from Medicare, respectively.

NOTE 3 INVESTMENTS

At December 31, 2016 and 2015, investments are comprised of the following:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	\$ 864,855	\$ 864,855	\$ 1,427,401	\$ 1,427,401
Fixed Income Bond Funds	5,493,629	5,564,273	6,704,753	3,837,888
Equities	11,904,438	9,610,876	11,698,713	7,208,055
Limited Partnership	109,375	109,375	65,625	65,625
Total	<u>\$ 18,372,297</u>	<u>\$ 16,149,379</u>	<u>\$ 19,896,492</u>	<u>\$ 12,538,969</u>

At December 31, 2016 and 2015, investments reconcile to the consolidated balance sheet as follows:

	2016	2015
Unrestricted Investments	\$ 14,304,200	\$ 15,406,319
Statutory Liquid Reserve	4,068,097	4,490,173
Total	<u>\$ 18,372,297</u>	<u>\$ 19,896,492</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 INVESTMENTS (CONTINUED)

For the years ended December 31, 2016 and 2015 the components of investment income are as follows:

	2016	2015
Interest and Dividends	\$ 270,740	\$ 536,656
Realized Gains	148,988	708,052
Total	<u>\$ 419,728</u>	<u>\$ 1,244,708</u>
Net Unrealized Gains (Losses)	<u>\$ 1,040,368</u>	<u>\$ (1,733,858)</u>

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the valuation of investments will occur in the near-term and that such changes could materially affect the amounts recorded in the balance sheets.

NOTE 4 ASSETS LIMITED AS TO USE

Assets limited as to use include funds maintained by the bank under indenture agreements. Assets limited as to use are carried at fair value and are invested primarily in money market accounts. Amounts required to meet certain current liabilities of the Organization have been classified as current assets in the consolidated balance sheet as of December 31, 2016 and 2015.

The Wesley Enhanced Living Obligated Group (the Obligated Group) consists of WEL, Foundation, Pennypack Park, Doylestown, Upper Moreland, and Stapeley (see Note 6).

As required by the 2005 bond indenture, the Obligated Group is required to establish debt service reserve funds for the purpose of securing the bonds to be held by the bank. Debt service reserve funds would be utilized to make up any deficiencies, if any, in the respective bond funds.

As required by the 2008 bond indenture, the Obligated Group is required to establish debt service reserve funds for the purpose of securing the bonds to be held by the bank. Debt service reserve funds would be utilized to make up any deficiencies, if any, in the respective bond funds.

As required by the 2011 bond indenture, the Obligated Group is required to maintain assets in accounts with a trustee related to their obligation for the Series 2005A and 2011 bonds. The use of these assets is limited to expenditures for capital projects and debt service.

Burholme SR established reserves that are required by the funding sources in connection with the financing agreements. The use of these assets is limited to debt service and other reserves under the terms of the agreements.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 ASSETS LIMITED AS TO USE (CONTINUED)

At December 31, 2016 and 2015 total assets limited as to use were as follows:

	2016	2015
Trustee Held Funds:		
Debt Service Reserve Funds:		
Series 2005 - WEL Series A&B	\$ 2,504,264	\$ 2,403,684
Series 2005 & 2011 - Stapeley	304,034	334,402
Series 2008 - Pennypack	1,103,179	1,102,313
Debt Service Reserve Funds Total	<u>3,911,477</u>	<u>3,840,399</u>
Sinking Fund:		
Series 2005 - Stapeley	408,688	398,235
Sinking Fund Total	<u>408,688</u>	<u>398,235</u>
Burholme SR (PHFA Held/Citizens Held):		
Operating Reserve	103,184	102,986
Supportive Services and Replacement Reserve	108,032	107,924
Real Estate Tax and Developer Fee Reserve	228,741	228,301
Rent Subsidies Reserve	328,253	387,219
Burholme SR (PHFA Held/ Citizens Held) Total	<u>768,210</u>	<u>826,430</u>
Other Trustee Held Funds:		
Burholme - Replacement Reserve/Escrow	227,728	258,291
Series 2008 - Pennypack	1,051	1,051
Total Other Trustee Held Funds	<u>228,779</u>	<u>259,342</u>
Total	5,317,154	5,324,406
Less: Current Portion	(5,089,426)	(5,066,115)
Assets Limited as to Use - Liquidity Fund	<u><u>\$ 227,728</u></u>	<u><u>\$ 258,291</u></u>

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2016 and 2015 property and equipment consisted of the following:

	2016	2015
Land	\$ 9,072,707	\$ 9,072,707
Land Improvement	3,979,476	3,960,790
Building and Improvements	152,252,444	149,949,133
Furniture, Fixtures, and Equipment	21,775,296	21,136,946
Construction in Progress	63,560	350,907
Total	187,143,483	184,470,483
Less: Accumulated Depreciation	(76,830,832)	(70,955,524)
Property and Equipment, Net	<u><u>110,312,651</u></u>	<u><u>\$ 113,514,959</u></u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended December 31, 2016 and 2015 was \$5,878,378 and \$6,138,975, respectively.

The Organization follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. No interest expense or interest income was capitalized for the years ended December 31, 2016 and 2015.

NOTE 6 LONG-TERM DEBT

At December 31, 2016 and 2015 long-term debt consisted of the following:

	2016	2015
Bonds Payable:		
WEL Obligated Group:		
Series 2005A	\$ 18,179,694	\$ 18,944,694
Series 2005B	10,525,000	10,980,000
Stapeley:		
Series 2005A	1,905,000	2,230,000
Series 2005B	446,000	531,000
Series 2005C	376,000	455,000
Series 2011 Stapeley Conduit Debt	8,710,000	8,710,000
Pennypack Park Obligated Group:		
Series 2008	18,120,000	18,530,000
Main Line:		
Series 2009	6,122,708	6,122,708
Total Bonds Payable	<u>64,384,402</u>	<u>66,503,402</u>
Loans Payable:		
Burholme:		
Section 232 HUD Insured Loan	6,018,186	6,073,086
Stapeley:		
2011 Stapeley Term Loan	8,900,000	9,215,120
Burholme SR:		
Mortgage Payable	1,661,018	1,706,675
HOME Loan	2,600,000	2,600,000
PHFA Assistance	8,447,750	8,447,750
Burholme SR Total	<u>12,708,768</u>	<u>12,754,425</u>
Total Long-Term Debt	92,011,356	94,546,033
Less: Unamortized Debt Issuance Costs	(3,479,918)	(3,757,239)
Less: Bond Discount	(67,147)	(71,292)
Less: Current Maturities	<u>(2,464,977)</u>	<u>(2,370,748)</u>
Total Long-Term Debt, Net	<u>\$ 85,999,314</u>	<u>\$ 88,346,754</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group

On April 30, 2015, the Community entered into a financing transaction (2015 Financing Agreement) with several regional banks. The transaction was a direct purchase of the Series 2011, 2008, 2005A, and 2005B Bonds and a term loan. Under the terms of the restructuring, the Series 2011, 2008, 2005A, and 2005B Bonds and a term loan remain outstanding. However, there were modifications made to the interest rates, repayment terms, and financial covenant requirements.

On December 28, 2011 the Obligated Group entered into a financing transaction (2011 Financing Agreement) with several regional banks (collectively referred to as the Bank), whereby the former WEL Obligated Group (WEL, Upper Moreland, and Doylestown), the former Pennypack Park Obligated Group (Pennypack Park and Foundation) and Stapeley determined it was in the best interest of each entity to form the Obligated Group and to become joint and severally liable for all obligations under this 2011 Financing Agreement.

As part of the 2011 Financing Agreement the Obligated Group requested the Bank directly purchase the Series 2005 WEL Bonds, the 2008 Pennypack Bonds, and the 2005 Series B and C Stapeley Bonds upon their remarketing under the respective bond indentures. In addition, the Bank agreed, for the purpose of financing certain additional projects at Stapeley, to extend a taxable term loan in the aggregate principal amount of \$8,710,000, used for the liquidity reserve and refinancing of the Stapeley 2005C bonds. Upon the completion of the 2011 Financing Agreement the Obligated Group consists of the following pieces of long-term debt:

Series 2005 Bonds

On September 1, 2005, WEL, Upper Moreland, and Doylestown (formally known as the WEL Obligated Group) issued 2005 Variable Rate Revenue Bonds Series A in the amount of \$23,000,000 and 2005 Variable Rate Revenue Bond Series B in the amount of \$13,420,000 (collectively known as the Series 2005 Bonds), pursuant to the terms of the loan agreements with The Borough of Langhorne Manor Higher Education and Health Authority. The proceeds from the Series 2005 Bonds were used to refund, defease, and retire the Series 2000A Bonds, the Series 2001 Bonds, the 2000B Bonds, and two promissory notes to the Foundation. In addition, the proceeds were used to finance construction projects at Upper Moreland and Doylestown, fund debt service reserve funds, and finance certain costs associated with the issuance of the Series 2005 Bonds.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group (Continued)

Series 2005 Bonds (Continued)

Upon completion of the 2015 Financing Agreement, the Series 2005 Bonds mature October 1, 2032 with call options every five years. The principal and interest payments were due monthly, under the 2011 Financing Agreement. Under the 2015 Financing Agreement, interest payments are still due monthly, but principal payments are due annually on October 1. The Series 2005A and 2005B Bonds bear interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 73% of the 30-day LIBOR rate plus 3.00%, and are due monthly. The 2015 Financing Agreement changed the maximum to not exceed 75% of the 30 day LIBOR rate plus 2.27% and some of the restrictive covenants.

Series 2008 Bonds

On February 21, 2008, the Foundation and Pennypack Park (formerly known as the Pennypack Park Obligated Group) issued the Retirement Communities Variable Rate Demand Revenue Bonds Series 2008 in the amount of \$20,000,000, pursuant to the terms of the loan agreements with The Philadelphia Authority for Industrial Development. The proceeds from the Series 2008 Bonds were used to refund and retire the Series 1993 bonds. In addition, the proceeds were used to finance construction projects at Pennypack Park, fund debt service reserve funds, and finance certain costs associated with the issuance of the Series 2008 Bonds.

Upon completion of the 2015 Financing Agreement, the Series 2008 Bonds mature October 1, 2038 with call options every five years. The principal and interest payments were due monthly under the 2011 Financing Agreement. Under the 2015 Financing Agreement, interest payments are still due monthly, but principal payments are due annually on January 1. The Series 2008 Bonds bear interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 73% of the 30-day LIBOR rate plus 3.00%, and are due monthly. The 2015 Financing Agreement changed the maximum to not exceed 75% of the 30-day LIBOR rate plus 2.27% and some of the restrictive covenants.

Series 2005A Bonds – Stapeley

Effective September 1, 2005, the Philadelphia Authority for Industrial Development issued on behalf of Stapeley \$13,640,000 of its Revenue Refunding Bonds (2005 Bonds). The 2005 Bonds were issued in three separate series – Series A in the amount of \$4,630,000, Series B in the amount of \$5,800,000 (See 2011 Stapeley Term Loan), and Series C in the amount of \$3,210,000 (See 2011 Stapeley Conduit Bonds). The 2005 Bonds are payable annually in varying amounts from January 2006 to January 2035 and are secured by a mortgage on Stapeley's real estate and a lien on substantially all of Stapeley's assets. The Series A bonds bear interest at fixed rates ranging from 5.00% to 5.125%. The Series A was not part of the 2015 or 2011 Financing Agreement.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group (Continued)

2011 Stapeley Term Loan

Upon completion of the 2011 Financing Agreement, the 2011 Stapeley Term Loan (Term Loan) was issued in the amount of \$9,815,000. The purpose of the Term Loan was to finance certain projects on behalf of Stapeley. As of December 31, 2016 approximately \$9,815,000 million of proceeds have been drawn down.

Upon completion of the 2015 Financing Agreement, the Term Loan matures January 1, 2038 with call options every five years. The principal payments commenced in 2014 and are due annually on January 1. The interest payments began in 2012 and are due monthly.

The Term Loan bears interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 73% of the 30-day LIBOR rate plus 3.00%, and is due monthly. The 2015 Financing Agreement changed the maximum to not exceed 75% of the 30-day LIBOR rate plus 2.27% and some of the restrictive covenants.

Prior to the 2011 Financing Agreement, the Series B Bonds referred to above, bear interest at rates that are periodically reset. The initial interest rates on the Series B Bonds ranged from 5.00% to 7.50% and the initial reset date was January 1, 2010. Effective January 1, 2010, the reset interest rate on the Series B Bonds was 7.25%, for a period of one year. Stapeley was notified the reset interest rate on the Series B Bonds was 6.875% effective January 1, 2011. From January 1, 2012 through December 31, 2014, the Series 2005B Bonds will have a reset rate of 2.75%.

2011 Stapeley Conduit Bonds

Upon completion of the 2011 Financing Agreement, the 2011 Stapeley Conduit Bonds were issued in the amount of \$8,710,000 and matures January 1, 2038 with call options every five years. The purpose of the Conduit Bonds was to directly repurchase the outstanding amounts of the Series C bonds, as well as to establish a liquidity reserve as defined in the 2011 Financing Agreement. The interest payments began in 2012 and are due monthly. The 2011 Stapeley Conduit Bonds bear interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 30-day LIBOR rate plus 3.0%, and are due monthly. The 2015 Financing Agreement changed the maximum to not exceed 30-day LIBOR rate plus 2.50% and some of the restrictive covenants.

Prior to the 2011 Financing Agreement the Series C Bonds, referred to above, carried interest at a periodically reset rate. The interest rate on the Series 2005C Bonds was 9.00% as of January 1, 2011. The majority of the Series 2005C Bonds were redeemed as of December 31, 2016 and 2015.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group (Continued)

The Obligated Group as part of the 2015 and 2011 Financing Agreements is required to meet certain restrictive covenants related to reporting and other financial and non-financial covenants. As of December 31, 2016, management represented that the Obligated Group is in compliance with these covenants or have performed the necessary corrective action as required by the Financing Agreement.

The Obligated Group's obligations under the 2015 and 2011 Financing Agreements are collateralized by certain real property as outlined in the 2015 and 2011 Financing Agreements.

Main Line

On July 28, 2009, Main Line entered into a Loan and Security Agreement with Bryn Mawr Trust Company (the Bank) and Delaware County Industrial Development Authority (the Authority) pursuant to which the Authority sold the Series 2009 bonds to the Bank. From the proceeds, Main Line may borrow up to \$7,000,000 of the Authority's Economic Development Revenue Note (Main Line Project, Series of 2009). The Note Payable bears interest at a fixed rate of 4.13% per annum.

The proceeds of the Note Payable were used to finance a portion of the costs of various capital improvements, including, but not limited to, a new swimming pool, fitness center, kitchen and dining renovations, and apartment renovations, as well as payment of a portion of the costs and expenses of issuing the Note Payable.

Collateral of the debt includes all personal property of Main Line, including accounts receivable, furniture and equipment, deposit accounts, investment property, inventory, and a security interest in all of Main Line's present and future deposits.

Main Line is subject to various covenants under the loan and security agreement. These covenants include various reporting, financial, and operating requirements. As of December 31, 2016, Main Line is not in compliance with these covenants. However, they obtained a letter from the bank waiving these events of default for 2016.

Effective March 1, 2015, Main Line entered into a loan modification for the original loan agreement dated July 28, 2009. The maturity date of the loan has been changed to February 1, 2020. The modified interest rate is a fixed rate equal to the non-bank qualified rate of 3.45%. Principal payments commence June 2, 2018.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

Section 232 HUD Insured Mortgage Payable

On October 21, 2009, Burholme entered into a mortgage agreement that was insured as a Section 232 HUD mortgage in the amount of \$6,175,000. The term of the loan was for 40 years and the proceeds were used for the renovation and rehabilitation of the assisted living facility. The mortgage had a fixed rate of interest of 6.08%. Under the mortgage agreement, the principal payments commenced on January 1, 2011. Under the Regulatory Agreement for the loan, Burholme is required to fund a reserve for replacements account each month. The monthly funding required by the Regulatory Agreement is \$3,667 per month.

On November 26, 2013, Burholme entered into a section 232 HUD healthcare facility note. The term of the note is 40 years and the proceeds were used to pay off the mortgage entered into on October 1, 2009. The note has a fixed rate of 5%. The scheduled principal payments commence on January 1, 2014.

HOME Loan – Burholme SR

On March 3, 2010, PGSH, LP entered into a HOME Loan with the Redevelopment Authority of the City of Philadelphia for \$2,600,000. The term of the loan is for 32 years and the proceeds were used for the construction of the residential living community for low to moderate income elderly and disabled adults 62 years of age or older. Except in the event of default, the HOME loan shall bear no interest and there are no payments due on the HOME loan for a period of 32 years (or until the HOME loan is paid in full). There are certain occupancy and rental requirements that must be met as a condition of the loan.

Mortgage Payable – Burholme SR

On March 3, 2010 (the Closing Date), PGSH, LP entered into a construction line of credit agreement with a financial institution. The financial institution provided funds to assist the PGSH, LP in the construction of certain buildings and structures. Commencing on the closing date, and continuing until the completion of the construction project, the loan payable was a line of credit provided to fund the construction project. Upon completion of the construction project the Partnership exercised its option to convert the line of credit to a permanent loan. On April 1, 2012 the Partnership converted the line of credit to a loan payable. The loan is due 25 years after the conversion date, the principal and interest on the loan is payable monthly. Interest on the loan is equal to 3.0% above the published Federal Home Loan Bank of Pittsburgh rounded up to the nearest one-eighth percent, not to exceed 12.0% in the first 10 years and shall not be less than 6.50% per annum during the loan period.

On November 30, 2015, a loan modification agreement was signed. Principal and interest are still due monthly. However, on the maturity date of March 1, 2029, any outstanding principal and interest shall be due and payable. Effective November 1, 2015, the interest rate will adjust to a fixed rate of 5.00% up to December 1, 2020. On December 1, 2020 and December 1, 2025, the interest rate will adjust to a rate equal to the greater of 3.0% above the published Federal Home Loan Bank of Pittsburgh or 5.00%.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

Mortgage Payable – Burholme SR (Continued)

The Partnership must comply with certain restrictive covenants related to debt service coverage throughout the term of the loan. As defined in the loan agreement, the Partnership is required to maintain a debt service coverage ratio of 1.05 as of December 31, 2016 and 1.1 prior to the modification agreement dated November 30, 2015. Management has represented that the Partnership was in compliance with all covenants as of December 31, 2016.

Pennsylvania Housing Finance Agency – Burholme SR

On March 3, 2010, PGSH, LP and the Pennsylvania Housing Finance Agency (the Agency) entered into a conditional commitment for the Agency to provide construction and permanent financing for the construction of Burholme SR (the Project). This commitment is in connection with the federal Low Income Housing Tax Credit Program (LIHTC) and the Section 1602 (Exchange) Program authorized under the American Recovery and Reinvestment Act of 2009 (ARRA). The commitment was up to \$8,447,750 and the Project must be operated under the rules and restrictions applicable to the LIHTC Program for 30 years.

Recapture of the assistance will be required in the event of noncompliance with the ARRA Exchange Assistance documents at any time throughout the first 15 years of the project term (the Recapture Period).

As security for the operation of the Project in compliance with all applicable ARRA requirements and LIHTC Program requirements throughout the full 30-year project term, among other things, the Agency will hold a promissory note secured by a mortgage and security agreement, also held by the Agency, certain financial guaranties, reserves and escrows by the Project Owner, and certain security documents including an indenture of restrictive covenants secured on the real property comprising the Project.

Debt Maturities

As of December 31, 2016, the aggregate maturities of the long-term debt during the next five years and thereafter are as follows:

<u>Year Ending December 31:</u>	<u>Bonds Payable</u>	<u>Mortgages Payable</u>	<u>Total</u>
2017	\$ 2,035,000	\$ 429,977	\$ 2,464,977
2018	2,389,693	441,649	2,831,342
2019	2,515,363	457,399	2,972,762
2020	2,606,417	473,227	3,079,644
2021	2,717,858	489,789	3,207,647
Thereafter	52,120,071	25,334,913	77,454,984
Total	<u>\$ 64,384,402</u>	<u>\$ 27,626,954</u>	<u>\$ 92,011,356</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 STANDBY LETTERS OF CREDIT

As part of the 2011 Financing Agreement (see Note 6), the Bank has entered into a standby letter of credit agreement with the Obligated Group up to \$2,200,000. The purpose of the standby letter of credit was to provide credit enhancement in the form of standby letters of credit to support the Obligated Group's self-insurance for workers' compensation and malpractice programs. The standby letters of credit carried an annual fee of 2.0% that was payable in advance. Repayment on the letter of credit was due immediately. Unreimbursed draws accrued interest at 30-day LIBOR plus 3.0% calculated on the basis of actual days elapsed in a year consisting of 360 days. The \$2,200,000 was not renewed as part of the 2015 Financing Agreement. The only letter of credit that remains as of December 31, 2016 relates to the workers' compensation policy in the amount of \$500,000 and matures on December 26, 2017 (see Note 9).

NOTE 8 FAIR VALUE OF INTEREST RATE SWAPS

On September 1, 2005, the former WEL Obligated Group (see Note 6) entered into an interest rate swap agreement. The swap agreement hedges the Series 2005A Bonds by effectively converting interest rates from variable rates to a fixed rate of 3.25% per annum. The agreement expires on October 31, 2032. The purpose of the swap agreement was to place the aggregate net obligation with respect to the Series 2005A Bonds on an approximately fixed rate basis.

On March 28, 2012, the Obligated Group entered into an interest rate swap agreement that replaces the agreement hedging the Series 2008 Bonds which expired on March 1, 2012. The new interest rate swap agreement had an effective date of March 15, 2014 and a termination date of December 1, 2016, with fixed rate payments commencing on April 1, 2014 through the termination date with a fixed rate of 1.34% per annum. The interest rate swap agreement expired on December 1, 2016.

The swap agreements are designated as a derivative at December 31, 2016 and 2015 and are recorded at fair value on the consolidated balance sheet with the change in fair value reported in the consolidated statements of operations and changes in net assets below the performance indicator. As of December 31, 2016 and 2015, the Organization had interest rate swaps outstanding as follows:

2016				
	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Notional</u>	<u>Fair Value</u>
Series 2005 Bonds	10/1/2032	3.254%	\$ 18,180,000	\$ (2,817,208)
Total			<u>\$ 18,180,000</u>	<u>\$ (2,817,208)</u>
2015				
	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Notional</u>	<u>Fair Value</u>
Series 2005 Bonds	10/1/2032	3.254%	\$ 18,945,000	\$ (3,272,988)
Series 2008 Bonds	12/1/2016	1.780%	18,530,000	(163,988)
Total			<u>\$ 37,475,000</u>	<u>\$ (3,436,976)</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 INSURANCE

Workers' Compensation Insurance

The Organization participates in a WEL plan of self-insurance for workers' compensation claims in accordance with Pennsylvania Department of Labor and Industry regulations. The Organization currently has a letter of credit in the amount of \$500,000 for the purpose of securing certain obligations under the self-insured worker's compensation program.

WEL retains responsibility for the payment of medical, indemnity, and other costs of claims up to the self-insured loss retention of \$450,000 per occurrence and \$3,000,000 in the aggregate prior to the application of coverage provided by its excess insurance contract. As of December 31, 2016 and 2015, liabilities of approximately \$110,000 and \$25,519, respectively, were included in accrued expenses in the accompanying consolidated balance sheets as an established reserve for workers' compensation claims.

Professional and General Liability Insurance

The Obligated Group self-insures its general and professional liability exposure which includes medical malpractice. Pennypack, Doylestown, and Stapeley participate in the Pennsylvania MCare program which covers up to \$500,000 per occurrence and \$1,500,000 in aggregate of professional liability losses within the skilled nursing facilities in excess of \$500,000 per occurrence and \$1,500,000 in the aggregate.

During 2016 and 2015 medical malpractice pending claims and settlements are summarized as follows:

	2016	2015
Board Designated Funds for Insurance Reserves	\$ 4,588,554	\$ 4,662,604
Accrual for Pending Claims	300,000	150,000
Claims Paid	35,108	402,500

NOTE 10 RETIREMENT PLAN

The Organization sponsors the WEL Retirement Plan (the Retirement Plan), a defined contribution savings and retirement plan. Employees are eligible to participate in the Retirement Plan after having attained the age of 21, completing one year of service, and working a minimum of 1,000 hours in the Retirement Plan year. WEL and the Communities make matching non-discretionary contributions and may make additional discretionary contributions to the Retirement Plan. The Organization contributed \$1,249,332 and \$1,019,330 to the Retirement Plan for the years ended December 31, 2016 and 2015, respectively.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 11 RELATED PARTY TRANSACTIONS

WEL performs certain administrative services for two affiliated, but not consolidated, not-for-profit corporations and at times may borrow funds from these two corporations. At December 31, 2016 and 2015, there were receivables and payables from these corporations of \$8,017 and \$67,605, respectively and are included in other receivables and accounts payable on the consolidated balance sheets. WEL has recorded revenue related to services rendered in 2016 and 2015 of \$79,683 and \$68,700, respectively.

NOTE 12 FUNCTIONAL EXPENSES

The Organization provides residential and health care services to residents of its facilities. Expenses related to these services as of December 31, 2016 and 2015 were as follows:

	2016	2015
General and Administrative	\$ 19,584,811	\$ 19,793,060
Residential and Health Care Services	51,341,575	50,498,519
Fundraising	84,769	36,886
Total Expenses	<u>\$ 71,011,155</u>	<u>\$ 70,328,465</u>

NOTE 13 FAIR VALUE MEASUREMENTS

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

- Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2016:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Assets Limited as to Use				
Cash and				
Cash Equivalents	\$ 5,317,154	\$ 5,317,154	\$ -	\$ -
Total Assets Limited as to Use	5,317,154	5,317,154	-	-
Statutory Liquid Reserves				
Cash and				
Cash Equivalents	841,426	841,426	-	-
Bonds	984,295	984,295	-	-
Equities	2,242,376	2,242,376	-	-
Total Statutory Liquid Reserves	4,068,097	4,068,097	-	-
Unrestricted Investments				
Cash and				
Cash Equivalents	319,906	319,906	-	-
Bonds	4,212,857	4,212,857	-	-
Equities	9,662,062	9,662,062	-	-
Limited Partnerships	109,375	-	-	109,375
Total Unrestricted Investments	14,304,200	14,194,825	-	109,375
Remainder Interest in Charitable Trust	3,536,954	-	-	3,536,954
	<u>\$ 27,226,405</u>	<u>\$ 23,580,076</u>	<u>\$ -</u>	<u>\$ 3,646,329</u>
Liabilities:				
Fair Value of Interest Rate Swap Agreements	\$ (2,817,208)	\$ -	\$ (2,817,208)	\$ -

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2015:

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Assets Limited as to Use				
Cash and				
Cash Equivalents	\$ 5,324,406	\$ 5,324,406	\$ -	\$ -
Total Assets Limited as to Use	5,324,406	5,324,406	-	-
Statutory Liquid Reserves				
Cash and				
Cash Equivalents	1,093,036	1,093,036	-	-
Bonds	1,343,177	1,343,177	-	-
Equities	2,053,960	2,053,960	-	-
Total Statutory Liquid Reserves	4,490,173	4,490,173	-	-
Unrestricted Investments				
Cash and				
Cash Equivalents	640,642	640,642	-	-
Bonds	5,055,300	5,055,300	-	-
Equities	9,644,752	9,644,752	-	-
Limited Partnerships	65,625	-	-	65,625
Total Unrestricted Investments	15,406,319	15,340,694	-	65,625
Remainder Interest in Charitable Trust	3,748,083	-	-	3,748,083
	<u>\$ 28,968,981</u>	<u>\$ 25,155,273</u>	<u>\$ -</u>	<u>\$ 3,813,708</u>
Liabilities:				
Fair Value of Interest Rate Swap Agreements	<u>\$ (3,436,976)</u>	<u>\$ -</u>	<u>\$ (3,436,976)</u>	<u>\$ -</u>

The determination of the fair values above incorporates various factors, including not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit, and priority interests), but also the impact of the Organization's nonperformance risk on its liabilities.

When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include equity securities and mutual funds, fixed-income mutual funds and real estate mutual funds.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets utilizing Level 2 inputs are financial instruments which are valued based on cost. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset, thus these financial instruments are classified within Level 2 of the valuation hierarchy.

Fair values of the remainder interest in charitable trusts are determined based upon good faith estimates of the trust's assets less the present value of estimated future payments to the recipient. The present value is based upon an estimated discount rate and applicable mortality tables and, accordingly, is classified as using a Level 3 input.

Liabilities utilizing Level 2 inputs are derivatives. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the liability, thus derivative instruments are classified within Level 2 of the valuation hierarchy.

The following table presents the change in Level 3 instruments for the years ended December 31, 2016 and 2015:

	2016		2015	
	Interest in Charitable Trust	Interest in Limited Partnership	Interest in Charitable Trust	Interest in Limited Partnership
Balance - Beginning of Period	\$ 3,748,083	\$ 65,625	\$ 3,951,199	\$ 37,500
Capital Calls	-	43,750	-	28,125
Change in Charitable Trust Remainder Interest	(211,129)	-	(203,116)	-
Balance - End of Period	<u>\$ 3,536,954</u>	<u>\$ 109,375</u>	<u>\$ 3,748,083</u>	<u>\$ 65,625</u>

NOTE 14 STATUTORY LIQUID RESERVE

Under the provisions of Section 9 of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82), Pennypack Park, Doylestown, Upper Moreland, Burholme, Stapeley, and Main Line must maintain a statutory minimum liquid reserve as of year-end that is equal to the greater of 10% of its individual total projected operating expenses for the next twelve months, exclusive of depreciation and amortization, or the total of all debt service requirements, computed only on the proportional share of financing or operating expenses that is applicable to residents of the Communities under continuing care agreements. Under the provisions and related amendments of the Act, the assets owned by the Communities are shown separately on the consolidated balance sheet to satisfy this requirement. The assets set aside for the statutory liquid reserve are held as either cash and cash equivalents or within investment accounts that have a similar investment allocation as described in the consolidated financial statements (see Note 3). The statutory liquid reserve was met for all facilities.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 14 STATUTORY LIQUID RESERVE (CONTINUED)

As of December 31, 2016 and 2015, the Communities have statutory liquid reserve calculations as follows:

	2016	2015
Pennypack Park		
Projected Annual Interest Expense	\$ 319,652	\$ 520,341
Principal Payments Due on Long-Term Debt	430,000	410,000
Liquid Reserve Requirement	<u>749,652</u>	<u>930,341</u>
Projected Annual Operating Expenses	13,107,988	13,176,997
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,310,799</u>	<u>1,317,700</u>
Maximum Liquid Reserve Requirement	1,310,799	1,317,700
Approximate Percentage of Continuing Care Clients	<u>35%</u>	<u>46%</u>
Statutory Liquid Reserve Requirement - Pennypack Park	<u><u>\$ 458,780</u></u>	<u><u>\$ 606,142</u></u>
Doylestown		
Projected Annual Interest Expense	\$ 403,088	\$ 492,638
Principal Payments Due on Long-Term Debt	470,000	455,000
Liquid Reserve Requirement	<u>873,088</u>	<u>947,638</u>
Projected Annual Operating Expenses	12,874,429	12,649,016
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,287,443</u>	<u>1,264,902</u>
Maximum Liquid Reserve Requirement	1,287,443	1,264,902
Approximate Percentage of Continuing Care Clients	<u>79%</u>	<u>80%</u>
Statutory Liquid Reserve Requirement - Doylestown	<u><u>\$ 1,017,080</u></u>	<u><u>\$ 1,011,921</u></u>
Upper Moreland		
Projected Annual Interest Expense	\$ 686,339	\$ 770,536
Principal Payments Due on Long-Term Debt	790,000	765,000
Liquid Reserve Requirement	<u>1,476,339</u>	<u>1,535,536</u>
Projected Annual Operating Expenses	4,681,104	4,437,380
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>468,110</u>	<u>443,738</u>
Maximum Liquid Reserve Requirement	1,476,339	1,535,536
Approximate Percentage of Continuing Care Clients	<u>89%</u>	<u>89%</u>
Statutory Liquid Reserve Requirement - Upper Moreland	<u><u>\$ 1,313,942</u></u>	<u><u>\$ 1,366,627</u></u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 14 STATUTORY LIQUID RESERVE (CONTINUED)

	2016	2015
Stapeley		
Projected Annual Interest Expense	\$ 486,786	\$ 640,664
Principal Payments Due on Long-Term Debt	665,000	640,000
Liquid Reserve Requirement	<u>1,151,786</u>	<u>1,280,664</u>
Projected Annual Operating Expenses	14,117,937	13,921,647
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,411,794</u>	<u>1,392,165</u>
Maximum Liquid Reserve Requirement	1,411,794	1,392,165
Approximate Percentage of Continuing Care Clients	<u>21%</u>	<u>22%</u>
Statutory Liquid Reserve Requirement - Stapeley	<u><u>\$ 296,477</u></u>	<u><u>\$ 306,276</u></u>
Burholme		
Projected Annual Interest Expense	\$ 299,358	\$ 302,178
Principal Payments Due on Long-Term Debt	57,709	54,900
Liquid Reserve Requirement	<u>357,067</u>	<u>357,078</u>
Projected Annual Operating Expenses	2,029,245	2,011,881
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>202,925</u>	<u>201,188</u>
Maximum Liquid Reserve Requirement	357,067	357,078
Approximate Percentage of Continuing Care Clients	<u>2%</u>	<u>2%</u>
Statutory Liquid Reserve Requirement - Burholme	<u><u>\$ 7,141</u></u>	<u><u>\$ 7,142</u></u>
Main Line		
Projected Annual Interest Expense	\$ 470,000	\$ 218,904
Principal Payments Due on Long-Term Debt	-	-
Liquid Reserve Requirement	<u>470,000</u>	<u>218,904</u>
Projected Annual Operating Expenses	13,923,956	13,861,224
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,392,396</u>	<u>1,386,122</u>
Maximum Liquid Reserve Requirement	1,392,396	1,386,122
Approximate Percentage of Continuing Care Clients	<u>70%</u>	<u>86%</u>
Statutory Liquid Reserve Requirement - Main Line	<u><u>\$ 974,677</u></u>	<u><u>\$ 1,192,065</u></u>
Total Statutory Liquid Reserve Requirement	<u><u>\$ 4,068,097</u></u>	<u><u>\$ 4,490,173</u></u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 15 COMMITMENTS AND CONTINGENCIES

Litigation

The Organization occasionally finds itself as a defendant in legal suits that develop in the normal course of its activities. Although it is impossible to determine the ultimate resolution of the matters that remain unresolved. The Organization believes that any outstanding matters will be resolved and that no significant liability will result from potential claims outstanding. As noted in Note 9, the Obligated Group self-insures its general and professional liability exposure.

Industry

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse statutes as well as other applicable government statutes.

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 16 MAIN LINE AFFILIATION

On March 1, 2015, Wesley Enhanced Living became the sole member of Main Line, a Pennsylvania nonprofit continuing care retirement community. As of the date of transaction, Main Line is referred to as Wesley Enhanced Living Main Line. The affiliation was the result of a strategic and mission oriented plan by the former Martins Run. WEL did not assume any liabilities as a result of the affiliation. The legal entity of Martins Run became a part of the WEL organization, but as a separate legal entity. No consideration was transferred. The net amount of the assets acquired and liabilities assumed exceeded the consideration transferred. Therefore, WEL recognized contributions received in acquisition of Main Line in the consolidated statement of operations and changes in net assets as unrestricted, temporarily restricted, and permanently restricted. The assets and liabilities acquired as of March 1, 2015 were as follows:

Assets:

Cash and Cash Equivalents	\$ 399,579
Accounts Receivable	967,314
Prepaid Expenses and Other Current Assets	<u>340,794</u>
Total Current Assets	1,707,687
Investments Designated for Future Use	4,650,207
Intangible Assets	6,616,200
Financing Costs	34,697
Property and Equipment	<u>19,483,800</u>
Total Assets	<u><u>\$ 32,492,591</u></u>

Liabilities:

Current Portion - Long-Term Debt	\$ 219,859
Current Portion of Charitable Gift Annuities	6,320
Accounts Payable and Accrued Expenses	1,683,469
Accrued Payroll and Payroll Taxes	380,775
Escrowed Entrance Fees	718,631
Deposits	<u>57,462</u>
Total Current Liabilities	3,066,516
Long-Term Debt - Less Current Portion	5,940,143
Charitable Gift Annuities - Less Current Portion	21,527
Refundable Entrance Fees	7,491,728
Deferred Entrance Fee Revenue	<u>9,747,853</u>
Total Liabilities	26,267,767

Net Assets:

Unrestricted	5,084,893
Temporarily Restricted	962,123
Permanently Restricted	<u>177,808</u>
Total Net Assets	<u>6,224,824</u>
Total Liabilities and Net Assets	<u><u>\$ 32,492,591</u></u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 16 MAIN LINE AFFILIATION (CONTINUED)

The amounts of Main Line's revenues and expenses included in Wesley Enhanced Living's consolidated statement of operations and changes in net assets for the year ended December 31, 2015 had the acquisition date been January 1, 2015 are as follows:

	Actual 3/1/2005 - 12/31/2015	Pro Forma 1/1/2015 - 12/31/2015
Revenues, Gains, and Other Support	\$ 13,688,902	\$ 16,101,851
Expenses	14,889,984	17,595,868
Operating Loss	<u>\$ (1,201,082)</u>	<u>\$ (1,494,017)</u>

NOTE 17 INTANGIBLES

At December 31, 2015, WEL had intangible assets totaling \$6,616,200 recognized from the acquisition of Main Line. Intangibles with determinable useful lives are amortized on a straight-line basis over the estimated useful life of each acquired intangible asset. In 2016 and 2015, amortization expense relating to intangible assets totaled \$1,082,000 and \$901,667.

Intangibles at December 31, 2016 and 2015 are summarized as follows:

2016					
	Weighted Average Life (Years)	Gross Carrying Value	Accumulated Amortization	Impairments	Net Carrying Value
Intangible Assets Subject to Amortization:					
Resident Contracts	5	\$ 5,410,000	\$ 1,983,667	\$ -	\$ 3,426,333
Intangible Assets Not Subject to Amortization:					
Licenses	N/A	6,200	-	-	6,200
Nursing Bed Acquisition Costs	N/A	1,200,000	-	-	1,200,000
Subtotal		<u>1,206,200</u>	<u>-</u>	<u>-</u>	<u>1,206,200</u>
Total Intangible Assets		<u>\$ 6,616,200</u>	<u>\$ 1,983,667</u>	<u>\$ -</u>	<u>\$ 4,632,533</u>
2015					
	Weighted Average Life (Years)	Gross Carrying Value	Accumulated Amortization	Impairments	Net Carrying Value
Intangible Assets Subject to Amortization:					
Resident Contracts	5	\$ 5,410,000	\$ 901,667	\$ -	\$ 4,508,333
Intangible Assets Not Subject to Amortization:					
Licenses	N/A	6,200	-	-	6,200
Nursing Bed Acquisition Costs	N/A	1,200,000	-	-	1,200,000
Subtotal		<u>1,206,200</u>	<u>-</u>	<u>-</u>	<u>1,206,200</u>
Total Intangible Assets		<u>\$ 6,616,200</u>	<u>\$ 901,667</u>	<u>\$ -</u>	<u>\$ 5,714,533</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 17 INTANGIBLES (CONTINUED)

Estimated amortization expense relating to intangible assets for the succeeding five years and thereafter is as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2017	\$ 1,082,000
2018	1,082,000
2019	1,082,000
2020	180,333
Total	<u>\$ 3,426,333</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Main Line	Elimination Entries	Consolidated Total
ASSETS											
CURRENT ASSETS											
Cash and Cash Equivalents	\$ 1,263,700	\$ 2,026,514	\$ 6,895	\$ 10,941	\$ 651,358	\$ 980,842	\$ 17,822	\$ 335,311	\$ 514,308	\$ -	\$ 5,807,691
Accounts Receivable, Net of Allowance	1,288,079	560,862	47,551	11,755	18,819	1,739,884	-	-	1,325,578	-	4,992,528
Other Accounts Receivable	-	1,788	-	-	660	-	-	8,017	-	-	10,465
Prepaid Expenses and Current Other Assets	72,369	159,627	51,000	3,625	217,724	69,396	-	167,723	167,482	-	908,946
Current Portion of Assets Limited as to Use	1,104,230	1,156,009	-	768,210	1,348,255	712,722	-	-	-	-	5,089,426
Due from Related Parties	-	6,791,353	-	-	-	-	479,289	7,148,954	133,509	(14,553,105)	-
Total Current Assets	3,728,378	10,696,153	105,446	794,531	2,236,816	3,502,844	497,111	7,660,005	2,140,877	(14,553,105)	16,809,056
Unrestricted Investments	-	8,678,172	-	-	1,234,689	197,021	2,684,265	109,375	1,400,678	-	14,304,200
Statutory Liquid Reserves	458,780	1,017,080	7,141	-	1,313,942	296,477	-	-	974,677	-	4,068,097
Assets Limited as to Use, Net of Current Portion	-	-	227,728	-	-	-	-	-	-	-	227,728
Remainder Interest in Charitable Trust	-	-	-	-	-	3,494,584	42,370	-	-	-	3,536,954
Property and Equipment, Net	20,458,020	13,762,045	7,027,405	9,557,342	19,350,506	20,699,424	576	62,327	19,395,006	-	110,312,651
Intangible Assets	-	-	-	-	-	-	-	-	4,632,533	-	4,632,533
Cash Held for Residents	51,738	16,101	-	43,616	-	77,965	-	-	6,036	-	195,456
Total Assets	<u>\$ 24,696,916</u>	<u>\$ 34,169,551</u>	<u>\$ 7,367,720</u>	<u>\$ 10,395,489</u>	<u>\$ 24,135,953</u>	<u>\$ 28,268,315</u>	<u>\$ 3,224,322</u>	<u>\$ 7,831,707</u>	<u>\$ 28,549,807</u>	<u>\$ (14,553,105)</u>	<u>\$ 154,086,675</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Main Line	Elimination Entries	Consolidated Total
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Current Portion of Long-Term Debt	\$ 430,000	\$ 470,000	\$ 57,709	\$ 52,268	\$ 790,000	\$ 665,000	\$ -	\$ -	\$ -	\$ -	\$ 2,464,977
Current Portion of Annuities Payable	-	-	-	-	-	1,100	35,220	-	-	-	36,320
Accounts Payable	621,193	696,519	146,049	34,289	871,541	712,471	-	518,912	1,586,994	-	5,187,968
Accrued Expenses and Other	549,651	695,440	68,625	20,570	135,033	708,985	12,346	972,958	600,445	-	3,764,053
Accrued Interest Payable	17,992	18,963	-	-	29,661	105,743	-	-	-	-	172,359
Resident Prepaid Rent	294,502	302,497	187,629	690	182,336	265,940	-	-	22,775	-	1,256,369
Due to Related Parties	353,000	-	4,207,660	146,766	1,189,353	247,223	-	7,270,641	1,138,462	(14,553,105)	-
Total Current Liabilities	2,266,338	2,183,419	4,667,672	254,583	3,197,924	2,706,462	47,566	8,762,511	3,348,676	(14,553,105)	12,882,046
Long-Term Debt, Net	17,102,445	10,442,415	5,850,191	12,640,763	15,399,497	18,441,295	-	-	6,122,708	-	85,999,314
Deposits	303,593	621,852	-	-	313,551	160,476	-	-	58,896	-	1,458,368
Refundable Portion of Entrance Fees	-	1,240,125	-	-	1,388,850	-	-	-	5,843,715	-	8,472,690
Deferred Revenue from Entrance Fees	2,143,218	12,094,657	19,142	-	8,672,953	601,780	-	-	8,627,627	-	32,159,377
Fair Value of Interest Rate Swaps	-	1,048,527	-	-	1,768,681	-	-	-	-	-	2,817,208
Annuities Payable, Less Current Portion	-	-	-	-	-	803	145,475	-	17,202	-	163,480
Cash Held for Residents	51,738	16,101	-	43,616	-	77,965	-	-	6,036	-	195,456
Total Liabilities	21,867,332	27,647,096	10,537,005	12,938,962	30,741,456	21,988,781	193,041	8,762,511	24,024,860	(14,553,105)	144,147,939
NET ASSETS (DEFICIT)											
Unrestricted	2,829,584	6,522,455	(3,169,285)	(2,543,473)	(6,605,503)	2,784,950	2,954,736	(930,804)	3,660,858	-	5,503,518
Temporarily Restricted	-	-	-	-	-	-	76,545	-	686,281	-	762,826
Permanently Restricted	-	-	-	-	-	3,494,584	-	-	177,808	-	3,672,392
Total Net Assets (Deficit)	2,829,584	6,522,455	(3,169,285)	(2,543,473)	(6,605,503)	6,279,534	3,031,281	(930,804)	4,524,947	-	9,938,736
Total Liabilities and Net Assets (Deficit)	<u>\$ 24,696,916</u>	<u>\$ 34,169,551</u>	<u>\$ 7,367,720</u>	<u>\$ 10,395,489</u>	<u>\$ 24,135,953</u>	<u>\$ 28,268,315</u>	<u>\$ 3,224,322</u>	<u>\$ 7,831,707</u>	<u>\$ 28,549,807</u>	<u>\$ (14,553,105)</u>	<u>\$ 154,086,675</u>

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Main Line	Elimination Entries	Consolidated Total
REVENUES, GAINS, AND OTHER SUPPORT											
Independent Living	\$ 1,530,336	\$ 4,791,360	\$ 37,402	\$ 528,989	\$ 2,488,408	\$ 1,079,002	\$ -	\$ -	\$ 4,627,754	\$ (22,953)	\$ 15,060,298
Personal Care	1,620,904	1,533,104	2,209,516	-	1,714,837	2,856,972	-	-	1,460,692	(187,535)	11,208,490
Skilled Nursing, Net of Contractual Allowances	10,132,842	5,877,920	-	-	-	10,036,887	-	-	4,496,031	-	30,543,680
Total Resident and Health Care Fees	13,284,082	12,202,384	2,246,918	528,989	4,203,245	13,972,861	-	-	10,584,477	(210,488)	56,812,468
Amortization of Deferred Entrance Fees	464,748	2,799,564	5,684	-	1,762,664	164,405	-	-	4,182,520	-	9,379,585
Interest Income	1,671	40,505	-	543	63,351	12,158	-	-	678	-	118,906
Investment Income (Loss)	(85,530)	216,486	-	638	31,179	34,395	91,982	7,500	123,078	-	419,728
Contributions	-	-	-	-	-	173,384	158,680	-	34,139	-	366,203
Other	297,185	213,651	30,816	843	88,505	384,050	-	4,081,997	1,523,155	(3,951,299)	2,668,903
Net Asset Released from Restriction	-	-	-	-	-	-	-	-	203,447	-	203,447
Total Unrestricted Revenues, Gains, and Other Support	13,962,156	15,472,590	2,283,418	531,013	6,148,944	14,741,253	250,662	4,089,497	16,651,494	(4,161,787)	69,969,240
EXPENSES											
Personnel	9,038,448	7,710,641	1,248,608	84,890	2,017,869	10,144,785	-	3,333,640	8,598,195	-	42,177,076
Food	573,307	717,982	127,645	-	227,974	627,468	-	-	843,498	-	3,117,874
Supplies	679,990	679,237	54,210	5,400	106,292	814,578	2,749	52,958	712,531	-	3,107,945
Utilities	470,707	467,502	122,693	91,750	389,173	434,895	-	62,470	683,269	-	2,722,459
Contracts	1,795,616	3,358,082	413,326	150,960	1,198,588	1,846,881	81,926	620,127	2,314,515	(3,951,299)	7,828,722
Real Estate Taxes	1,386	281,970	-	-	431,244	-	-	-	323,824	-	1,038,424
Insurance	56,673	81,684	52,538	40,174	46,723	51,611	-	1,524	73,067	-	403,994
Interest Expense	576,603	487,516	305,396	86,997	762,868	685,628	-	86,419	215,611	-	3,207,038
Depreciation	1,305,454	1,082,548	256,105	396,975	1,041,942	964,233	94	18,782	812,245	-	5,878,378
Amortization	-	-	-	-	-	-	-	-	1,082,000	-	1,082,000
Bad Debt Expense	140,750	103,250	2,552	28,248	735	118,000	-	-	53,710	-	447,245
Total Expenses	14,638,934	14,970,412	2,583,073	885,394	6,223,408	15,688,079	84,769	4,175,920	15,712,465	(3,951,299)	71,011,155
OPERATING INCOME (LOSS)	\$ (676,778)	\$ 502,178	\$ (299,655)	\$ (354,381)	\$ (74,464)	\$ (946,826)	\$ 165,893	\$ (86,423)	\$ 939,029	\$ (210,488)	\$ (1,041,915)

WESLEY ENHANCED LIVING AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Main Line	Elimination Entries	Consolidated Total
OPERATING INCOME (LOSS)	\$ (676,778)	\$ 502,178	\$ (299,655)	\$ (354,381)	\$ (74,464)	\$ (946,826)	\$ 165,893	\$ (86,423)	\$ 939,029	\$ (210,488)	\$ (1,041,915)
OTHER CHANGES IN											
UNRESTRICTED NET ASSETS											
Net Unrealized Gain on Investments	86,985	508,793	-	-	140,394	117,168	137,457	-	49,571	-	1,040,368
Change in Fair Value of Interest Rate Swap Agreement	163,989	182,312	-	-	273,467	-	-	-	-	-	619,768
Grants to Facilities	-	-	-	-	-	-	(210,488)	-	-	210,488	-
Total Other Changes in Unrestricted Net Assets	250,974	691,105	-	-	413,861	117,168	(73,031)	-	49,571	210,488	1,660,136
CHANGE IN UNRESTRICTED NET ASSETS	(425,804)	1,193,283	(299,655)	(354,381)	339,397	(829,658)	92,862	(86,423)	988,600	-	618,221
TEMPORARY RESTRICTED NET ASSETS											
Net Asset Released from Restriction	-	-	-	-	-	-	-	-	(203,447)	-	(203,447)
Contributions	-	-	-	-	-	-	-	-	159,625	-	159,625
CHANGE IN TEMPORARY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	(43,822)	-	(43,822)
PERMANENTLY RESTRICTED NET ASSETS											
Change in Charitable Trust Remainder Interest	-	-	-	-	-	(193,987)	-	-	-	-	(193,987)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	(193,987)	-	-	-	-	(193,987)
CHANGE IN NET ASSETS	(425,804)	1,193,283	(299,655)	(354,381)	339,397	(1,023,645)	92,862	(86,423)	944,778	-	380,412
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	3,255,388	5,329,172	(2,869,630)	(2,189,092)	(6,944,900)	7,303,179	2,938,419	(844,381)	3,580,169	-	9,558,324
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 2,829,584</u>	<u>\$ 6,522,455</u>	<u>\$ (3,169,285)</u>	<u>\$ (2,543,473)</u>	<u>\$ (6,605,503)</u>	<u>\$ 6,279,534</u>	<u>\$ 3,031,281</u>	<u>\$ (930,804)</u>	<u>\$ 4,524,947</u>	<u>\$ -</u>	<u>\$ 9,938,736</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2015 AND 2014

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	37
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS	39

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wesley Enhanced Living and Subsidiary Organizations
Hatboro, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wesley Enhanced Living and Subsidiary Organizations, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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


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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wesley Enhanced Living and Subsidiary Organizations as of December 31, 2015 and 2014, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
June 28, 2016

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,966,819	\$ 5,945,535
Accounts Receivable, Net of Allowance	5,236,604	2,826,004
Other Accounts Receivable	12,556	614,812
Prepaid Expenses and Other Current Assets	1,004,676	882,033
Current Portion of Assets Limited as to Use	<u>5,066,115</u>	<u>4,799,222</u>
Total Current Assets	18,286,770	15,067,606
 INVESTMENTS AND ASSETS LIMITED AS TO USE		
Investments	15,406,319	11,725,037
Statutory Liquid Reserves	4,490,173	3,034,435
Assets Limited as to Use - Liquidity Reserve	<u>258,291</u>	<u>4,728,012</u>
Total Investments and Assets Limited as to Use	20,154,783	19,487,484
 REMAINDER INTEREST IN CHARITABLE TRUST	3,748,083	3,951,199
 PROPERTY AND EQUIPMENT, Net	113,514,959	96,940,949
 DEFERRED FINANCING COSTS, Net	3,828,531	3,536,893
 INTANGIBLE ASSETS	5,714,533	-
 CASH HELD FOR RESIDENTS	<u>236,508</u>	<u>285,789</u>
 Total Assets	<u><u>\$ 165,484,167</u></u>	<u><u>\$ 139,269,920</u></u>

See accompanying Notes to Consolidated Financial Statements.

	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 2,370,748	\$ 2,277,936
Current Portion of Annuities Payable	49,773	49,773
Accounts Payable	6,450,730	3,476,389
Accrued Expenses	4,560,620	3,530,745
Accrued Interest Payable	160,089	242,465
Resident Prepaid Rent	1,394,818	1,265,856
Total Current Liabilities	<u>14,986,778</u>	<u>10,843,164</u>
LONG-TERM DEBT, Net of Current Portion	92,183,001	88,423,958
ENTRANCE FEES AND DEPOSITS		
Deposits	1,196,344	1,249,193
Refundable Portion of Entrance Fees	11,029,741	4,666,650
Deferred Revenue from Entrance Fees	32,694,190	20,699,977
Total Entrance Fees and Deposits	<u>44,920,275</u>	<u>26,615,820</u>
ANNUITIES PAYABLE, Net of Current Portion	162,305	191,287
FAIR VALUE OF INTEREST RATE SWAPS	3,436,976	3,655,468
CASH HELD FOR RESIDENTS	<u>236,508</u>	<u>285,789</u>
Total Liabilities	155,925,843	130,015,486
NET ASSETS		
Unrestricted	4,885,297	5,286,202
Temporarily Restricted	806,648	76,545
Permanently Restricted	3,866,379	3,891,687
Total Net Assets	<u>9,558,324</u>	<u>9,254,434</u>
Total Liabilities and Net Assets	<u>\$ 165,484,167</u>	<u>\$ 139,269,920</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Revenue, Gains and Other Support:		
Resident and Health Care Fees, Net of Benevolent Care	\$ 54,998,437	\$ 45,704,673
Amortization of Deferred Entrance Fee Revenue	7,534,475	5,298,875
Interest Income	127,995	125,258
Investment Income	1,244,708	953,095
Contributions	418,799	697,700
Other	2,572,160	1,670,492
Net Assets Released from Restriction	426,465	164,140
Total Unrestricted Revenues, Gains, and Other Support	67,323,039	54,614,233
EXPENSES		
Personnel	41,159,933	32,165,812
Food	2,961,033	2,214,822
Supplies	3,034,018	2,516,742
Utilities	2,806,481	2,360,151
Contracts	7,902,119	5,730,817
Real Estate Taxes	1,054,321	775,359
Insurance	546,055	393,895
Interest Expense	3,085,709	2,986,038
Depreciation and Amortization	7,252,938	4,806,574
Bad Debt Expense	525,858	642,092
Total Expenses	70,328,465	54,592,302
OPERATING INCOME (LOSS)	(3,005,426)	21,931
OTHER INCOME (LOSS)		
Loss on Extinguishment of Debt	(84,474)	-
Loss on Sale of Brodheadsville	(91,068)	-
Acquisition Costs	(789,463)	-
Contribution Received in Acquisition of WEL at Main Line	5,084,893	-
Gain on Disposal of Assets	-	13,508
Total Other Income (Loss)	4,119,888	13,508
REVENUES AND OTHER SUPPORT IN EXCESS OF (LESS THAN) EXPENSES AND LOSSES	1,114,462	35,439
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net Unrealized Loss on Investments and Assets Limited as to Use	(1,733,858)	(40,651)
Change in Fair Value of Interest Rate Swap Agreement	218,491	(974,872)
Total Other Changes in Unrestricted Net Assets	(1,515,367)	(1,015,523)
CHANGE IN UNRESTRICTED NET ASSETS	(400,905)	(980,084)
TEMPORARILY RESTRICTED NET ASSETS		
Contribution Received in Acquisition of WEL at Main Line	962,123	-
Contributions	194,445	-
Net Asset Released from Restriction	(426,465)	(164,140)
Total Changes in Temporary Restricted Net Assets	730,103	(164,140)
PERMANENTLY RESTRICTED NET ASSETS		
Contribution Received in Acquisition of WEL at Main Line	177,808	-
Change in Charitable Trust Remainder Interest	(203,116)	94,547
Total Changes in Permanently Restricted Net Assets	(25,308)	94,547
CHANGE IN NET ASSETS	303,890	(1,049,677)
NET ASSETS - BEGINNING OF YEAR	9,254,434	10,304,111
NET ASSETS - END OF YEAR	\$ 9,558,324	\$ 9,254,434

See accompanying Notes to Consolidated Financial Statements.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 303,890	(1,049,677)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	7,252,938	4,806,574
Gain on Disposal of Assets	-	(13,508)
Affiliation with WEL at Main Line	(6,224,824)	-
Loss on Sale of Brodheadsville	223,042	-
Loss on Extinguishment of Debt	84,474	-
Amortization of Deferred Revenue	(7,534,475)	(5,298,875)
Net Realized and Unrealized (Gains) Losses on Investments	1,025,806	(193,312)
Change in Fair Value of Interest Rate Swap Agreements	(218,491)	974,872
Proceeds Received from Entrance Fees, Net of Deposits	7,933,567	4,509,494
Change in Remainder Interest in Charitable Trust	203,116	(94,547)
(Increase) Decrease in (Net of Acquisition of Main Line):		
Accounts Receivable	(1,443,286)	1,331,931
Other Receivables	602,256	(567,905)
Prepaid Expenses and Other Assets	218,152	(30,555)
Increase (Decrease) in (Net of Acquisition of Main Line):		
Annuities Payable	(56,829)	(13,697)
Accounts Payable	1,290,871	765,576
Accrued Expenses	649,100	360,644
Accrued Bond Interest	(82,376)	(85,326)
Deposits	18,651	200,051
Net Cash Provided by Operating Activities	4,245,582	5,601,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and Equipment	(3,426,416)	(2,155,855)
Additions to Construction in Progress	(21,064)	(1,895,958)
Cash Acquired in Acquisition of Main Line	399,579	-
Change in Assets Limited as to Use and Investments	2,690,209	172,366
Net Cash Used by Investing Activities	(357,692)	(3,879,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to Deferred Financing Costs	(558,459)	(47,905)
Redemption of Long-Term Debt	(1,710,454)	-
Proceeds of Long-Term Debt	1,710,454	1,586,295
Principal Payments on Bonds	(2,308,147)	(2,183,130)
Net Cash Used by Financing Activities	(2,866,606)	(644,740)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,021,284	1,077,553
Cash and Cash Equivalents - Beginning of Year	5,945,535	4,867,982
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,966,819</u>	<u>\$ 5,945,535</u>

See accompanying Notes to Consolidated Financial Statements.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest, Net of Capitalized Interest	<u>\$ 3,168,085</u>	<u>\$ 3,071,364</u>
 NON-CASH INVESTING & FINANCING ACTIVITY		
Acquisition of Martins Run		
Property & Equipment, Net	\$ (19,483,800)	\$ -
Intangibles & Other Assets	(12,609,212)	-
Long-Term Debt Assumed	6,160,002	-
Other Liabilities	20,107,765	-
Cash Received in Acquisition of Martins Run	(399,579)	-
Acquisition of Martins Run	<u>\$ (6,224,824)</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Evangelical Services for the Aging, d/b/a Wesley Enhanced Living (WEL), is a not-for-profit corporation and the sole member of Wesley Enhanced Living Pennypack Park (Pennypack Park), Wesley Enhanced Living Doylestown (Doylestown), Wesley Enhanced Living Burholme (Burholme), Wesley Enhanced Living Upper Moreland (Upper Moreland), Wesley Enhanced Living Brodheadsville (Brodheadsville), Wesley Enhanced Living at Stapeley (Stapeley), Wesley Enhanced Living Main Line (Main Line). The board of directors of WEL appoints the boards of directors of the seven facilities. Pilgrim Gardens Senior Housing, L.P. (Burholme SR), is a limited partnership where WEL is the limited and general partner.

Wesley Enhanced Living Foundation (the Foundation) is a not-for-profit corporation that engages in fund-raising activities for WEL and its subsidiaries, and the board of directors of WEL appoints the board of directors of the Foundation.

Pennypack Park, Doylestown, Burholme, Burholme SR, Upper Moreland, Brodheadsville, Stapeley, and Main Line are collectively referred to as the "Communities." WEL, the Communities and the Foundation are collectively referred to as the "Organization."

The Organization maintains a historical and philosophical relationship with the Eastern Pennsylvania Conference of the United Methodist Church.

Pennypack Park

Pennypack Park, located in Philadelphia, Pennsylvania, is a not-for-profit continuing care retirement community that provides retirement apartment living and nursing care to its residents. Pennypack Park's facilities include 89 residential apartments, 21 personal care units and a 120-bed health center.

Doylestown

Doylestown, located in Doylestown, Pennsylvania, is a not-for-profit continuing care retirement community that operates a retirement, personal care, and nursing facility consisting of 218 apartments and a 60-bed health center.

Burholme

Burholme, located in Philadelphia, Pennsylvania, is a not-for-profit personal care facility that consists of 57 units for personal care services.

Burholme SR

Burholme SR is owned by Pilgrim Gardens Senior Housing, L.P. (PGSH, LP) a Pennsylvania limited partnership. Pilgrim Gardens Senior Housing GP, LLC (PGGP, LLC) a Pennsylvania limited liability corporation, is the general partner of the partnership. WEL is the sole member of PGGP, LLC. WEL is the limited and general partner. Burholme SR is located on the same campus as Burholme in Philadelphia, Pennsylvania. Burholme SR is a residential living community with 62 units for low to moderate income elderly and disabled adults 62 years of age or older.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Upper Moreland

Upper Moreland, located in Hatboro, Pennsylvania, is a not-for-profit continuing care retirement community that provides residential living and personal care. Upper Moreland's facilities include 38 cottages, 112 apartments, and 33 personal care units.

Brodheadsville

Brodheadsville, located in Monroe County, Pennsylvania, is a 40-bed not-for-profit personal care, Alzheimer's, and dementia care facility. In March 2015, Brodheadsville was sold.

Stapeley

Stapeley is a not-for-profit organization that operates a continuing care retirement community in Philadelphia, Pennsylvania, providing housing, health care, and other related services to elderly residents through the operation of a facility that includes 120 skilled nursing beds, 67 personal care units, and 43 residential apartments.

Main Line

Main Line, located in Marple Township, Pennsylvania, is a continuing care retirement community (CCRC) that provides housing, health care, personal care and other related services to residents through the operation of a 60-bed skilled nursing home (the "Meadows"), a 30-bed personal care unit (the "Pines"), and 168 independent living units ("ILU"). Main Line, formerly Martins Run, affiliated with WEL on March 1, 2015 (See Note 16).

In 2010, Main Line formed Martins Run Home Partners (MRHP), a wholly owned subsidiary which operates a home care agency. MRHP offers supportive services and a caring staff that emphasize a holistic approach to home based care for older persons with a variety of needs and conditions. MRHP provides programs and services to allow older persons to continue to live independently as long as possible.

Apartment and cottage residents of Pennypack Park, Doylestown, Upper Moreland, and Stapeley, pay a one-time entrance fee, plus a monthly fee for room, board, housekeeping, social and other services. The one-time entrance fee may be refundable under various guidelines. Residents of Main Line are also offered life care contracts.

Health center residents of Pennypack Park, Doylestown, Stapeley, and Main Line pay the prevailing daily rate, which approximates the rate charged by independent nursing homes. Residents receiving personal care services pay the prevailing daily rate, which approximates the rate charged by other comparable personal care facilities.

Principles of Consolidation

The consolidated financial statements include the financial statements of WEL, the Communities, and the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

During the year ended December 31, 2015, the Organization early adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, WEL has omitted this disclosure for the years ended December 31, 2015 and 2014. The early adoption of this provision did not have an impact on the entity's financial position or results of operations.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents, except for amounts included with unrestricted investments, statutory liquid reserves, and assets limited as to use.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts based on the allowance method using management's judgment considering historical information. Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts are continually analyzed for collectability and management determines when accounts are written off. At December 31, 2015 and 2014, the allowance for doubtful accounts was \$542,033 and \$221,787, respectively.

Investments

The Organization's investments, statutory liquid reserves, and assets limited as to use are reported at their fair values, based on quoted market prices. Changes in fair value are recognized in the consolidated statements of operations and changes in net assets.

Statutory Liquid Reserves

Under the provisions of Section 9 of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82), the Communities who offer continuing care agreements must maintain a statutory minimum liquid reserve as of year-end. The Statutory Liquid Reserve calculations are described more fully in the notes to the consolidated financial statements (see Note 14).

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Limited as to Use

Assets limited as to use include assets held by a bank, a designated entity under the indenture agreements.

Remainder Interest in Charitable Trusts

Stapeley received contributions of various charitable trusts. Under the charitable trust agreements, Stapeley recorded an asset and recognized permanently restricted contribution revenue at the fair market value of Stapeley's beneficial interest in the trust assets. Income earned on the trust assets and distributed to Stapeley is recorded as unrestricted investment income in the accompanying consolidated statements of operations and changes in net assets unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gains or losses in permanently restricted net assets.

Property and Equipment

Property and equipment with a useful life of greater than one year in excess of \$500 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to forty years. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

The Organization records impairment losses on property and equipment when events and circumstance indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

Based on management's impairment process, no impairment losses have been recorded as of December 31, 2015 and 2014.

Intangible Assets

Indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or when indicators of a potential impairment are present. No impairment loss for indefinite-lived intangibles was recognized during 2015.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted and impairment charges recorded. No impairment was recorded during 2015.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

The Organization incurred issuance costs relating to the issuance of long-term debt (see Note 6). These costs have been classified as deferred financing costs and are being amortized over the term of the related indebtedness using the straight line method, a method which approximates the effective interest method. Amortization expense was \$216,442 and \$165,348 for the years ended December 31, 2015 and 2014, respectively.

Interest Capitalization

The Organization follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use.

Annuities Payable

The Organization receives contributions under a charitable gift annuity program. When an annuity is received, a liability is established for the annuity payments based on the annuitant's estimated life expectancy using a 6% discount rate. The Organization uses the IRS discount rates to determine the annuity payments. A portion of the annual annuitant payments are tax deductible based upon IRS guidelines. The remainder of the contribution is recognized as an increase in unrestricted net assets, unless specifically designated by the donor for another use. Upon the death of the annuitant, any remaining liability is recorded as income, based upon GAAP.

Deposits

Deposits include security deposits, priority deposits, and entrance fee deposits received from residents. No interest accrues on these deposits, and they are refundable, less any expenses incurred on behalf of the resident. At December 31, 2015 and 2014, such deposits were \$1,196,344 and \$1,249,193, respectively.

Entrance Fees

The non-refundable portion of entrance fees received from residents upon entering into a continuing care contract is recorded as deferred revenue. The refundable portion of the entrance fees received is recorded as a liability.

Pennypack Park, Doylestown, Upper Moreland, Stapeley, and Main Line offer entrance fee based contracts.

Pennypack Park currently offers a standard fee contract. The standard fee contract is partially refundable over a 6 or 12 month period on a straight line declining basis. At the end of the 6 or 12 month period, no refund is due.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees (Continued)

There are currently two types of entrance fee contracts offered for residents at Doylestown and Upper Moreland, the standard fee and refundable fee contracts. The standard fee contract is partially refundable over a 50 month period on a straight line declining basis. At the end of the 50 month period, no refund is due. The refundable fee contract has a guaranteed refundable component of 75% of the total fee paid. The remaining 25% of the fee is refundable on a straight line declining basis over 12.5 months.

Stapeley offers a standard fee contract. The standard fee contract is partially refundable over a 3 month period on a straight line declining basis. At the end of the 3 month period, no refund is due.

Main Line previously offered three types of contracts to their residents. A nonrefundable contract is amortized using the resident's actuarially determined estimated remaining life expectancy, which is annually adjusted. Unamortized deferred revenue from nonrefundable entrance fees is recorded as revenue upon a resident's termination. This type of contract is no longer offered to residents.

Main Line offered a refundable entrance fee option where the Organization will refund a portion of the fee to the estate or the resident upon re-occupancy of the unit. The refundable fee contract has a guaranteed refundable component of either 90% or 50%, depending on the original contract signed, of the total fee paid. The remaining percentage of the fee is amortized over the life of the resident. This type of contract is no longer offered to residents.

Main Line currently offers a fee-for-service contract and life care refundable and non-refundable contracts. The fee-for-service contracts include an entrance fee that is paid and used for services indicated in the signed contract. In addition to the entrance fee, the resident will pay a monthly maintenance fee for the type of living accommodations selected. Under this contract, should the resident require routine nursing or personal care services the resident will be charged current per diem rates. Upon termination of this contract, the resident is entitled to a full refund upon reoccupancy of the unit.

Refunds of all entrance fees types are made only upon resale and re-occupancy of the unit.

Entrance fees are amortized into revenue over the resident's actuarially determined estimated life, which is recalculated annually. Generally, any unamortized entrance fees at the time of a resident's death or discharge are recorded as income net of any refunds.

The amount of contractually refundable entrance fees at December 31, 2015 and 2014 is approximately \$30,700,000 and \$15,800,000, respectively.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

Main Line calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees which includes adjustable periodic fees every three years. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The future service obligation is calculated using a discount rate of six percent. As of December 31, 2015, there was no required adjustment for obligations to provide future services.

Net Assets

The consolidated financial statements present information regarding the Organization's financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted. The three classes are differentiated by donor restrictions:

Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Temporarily restricted net assets are subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. They include gifts restricted by donors for specific programs (i.e. resident assistance) and other operating purposes (i.e. improvements).

Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed stipulations that are required to be maintained permanently, thereby restricting the use of principal. Normally, donor stipulations allow part or all of the income earned to be used currently for a designated purpose.

Revenue Recognition

Revenue is recognized in the period in which the related services are rendered. Revenue is recorded based on standard charges applicable to all residents. Pennypack Park, Doylestown, Stapeley, and Main Line derive a portion of their revenue under Medicaid and Medicare. Under the Medicaid Program, Pennypack Park, Doylestown, Stapeley and Main Line are reimbursed for services at prospectively determined rates per day. Under the Medicare Program, reimbursed rates vary according to a resident classification system that is based upon clinical, diagnostic and other factors. The differences between established standard charges and the amounts reimbursable by these systems and resident payments are recorded as a deduction from revenues.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Benevolent Care

The Communities provide benevolent care in the form of financial assistance to independent living and personal care residents who meet certain criteria. During the years ended December 31, 2015 and 2014, the Communities provided approximately \$629,787 and \$570,979, respectively, in benevolent care. Benevolent care does not include any Medicaid subsidies.

Concentrations of Credit Risk

The Organization maintains financial instruments, including cash and cash equivalents, investments, and trustee held accounts at various regional financial institutions. The cash balances in each financial institution may exceed federal insurance limits from time to time.

Performance Indicator

The consolidated statements of operations and changes in net assets include revenues and other support in excess of (less than) expenses and losses. Consistent with industry practice, changes in unrestricted net assets that are excluded from the performance indicator are unrealized gains (losses) on investments and assets limited as to use, and change in fair value of interest rate swap agreements.

Income Taxes

Pennypack Park, Doylestown, Upper Moreland, Burholme, Brodheadsville, Stapeley, Main Line, WEL, and WEL Foundation have been recognized as exempt organizations as defined by Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes pursuant to Section 501(a) of the Code.

Pilgrim Gardens Senior Housing, L.P. is a partnership where WEL is the limited and general partner. Pilgrim Gardens Senior Housing GP, LLC, is a Pennsylvania limited liability corporation, where WEL is the sole member of the LLC. Pilgrims Gardens Senior Housing, L.P. is a disregarded entity for tax reporting purposes.

The Organization follows the provisions of the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of the income tax standard had no impact on the Organization's consolidated financial statements.

The Organization's income tax returns are subject to review and examination by federal and state authorities.

Reclassification

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

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 28, 2016, the date the consolidated financial statements were issued. The results of this evaluation indicate that there are no subsequent events or transactions that are required to be disclosed in these consolidated financial statements.

NOTE 2 MEDICAID AND MEDICARE REIMBURSEMENT

Pennypack Park, Doylestown, Stapeley, and Main Line health centers are qualified as Medicaid and Medicare providers. Accounts receivable at December 31, 2015 and 2014 are approximately \$1,831,900 and \$1,073,900 due from Medicaid and \$553,200 and \$336,000 due from Medicare, respectively.

NOTE 3 INVESTMENTS

At December 31, 2015 and 2014, investments are comprised of the following:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	\$ 1,427,401	\$ 1,427,401	\$ 999,248	\$ 999,248
Fixed Income Bond Funds	6,704,753	3,837,888	4,155,169	4,176,290
Equities	11,698,713	7,208,055	9,567,555	7,242,425
Limited Partnership	65,625	65,625	37,500	37,500
Total	<u>\$ 19,896,492</u>	<u>\$ 12,538,969</u>	<u>\$ 14,759,472</u>	<u>\$ 12,455,463</u>

At December 31, 2015 and 2014, investments reconcile to the consolidated balance sheet as follows:

	2015	2014
Unrestricted Investments	\$ 15,406,319	\$ 11,725,037
Statutory Liquid Reserve	4,490,173	3,034,435
Total	<u>\$ 19,896,492</u>	<u>\$ 14,759,472</u>

For the years ended December 31, 2015 and 2014 the components of investment income are as follows:

	2015	2014
Interest and Dividends	\$ 536,656	\$ 719,132
Realized Gains	708,052	233,963
Total	<u>\$ 1,244,708</u>	<u>\$ 953,095</u>
Net Unrealized Losses	<u>\$ (1,733,858)</u>	<u>\$ (40,651)</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 3 INVESTMENTS (CONTINUED)

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the valuation of investments will occur in the near-term and that such changes could materially affect the amounts recorded in the balance sheets.

NOTE 4 ASSETS LIMITED AS TO USE

Assets limited as to use include funds maintained by the bank under indenture agreements. Assets limited as to use are carried at fair value and are invested primarily in money market accounts. Amounts required to meet certain current liabilities of the Organization have been classified as current assets in the consolidated balance sheet as of December 31, 2015 and 2014.

The Wesley Enhanced Living Obligated Group (the "Obligated Group") consists of WEL, Foundation, Pennypack Park, Doylestown, Upper Moreland and Stapeley (see Note 6).

As required by the 2005 bond indenture, the Obligated Group is required to establish debt service reserve funds for the purpose of securing the bonds to be held by the bank. Debt service reserve funds would be utilized to make up any deficiencies, if any, in the respective bond funds.

As required by the 2008 bond indenture, the Obligated Group is required to establish debt service reserve funds for the purpose of securing the bonds to be held by the bank. Debt service reserve funds would be utilized to make up any deficiencies, if any, in the respective bond funds.

As required by the 2011 bond indenture, the Obligated Group is required to maintain assets in accounts with a trustee related to their obligation for the Series 2005A and 2011 bonds. The use of these assets is limited to expenditures for capital projects and debt service.

Burholme SR established reserves that are required by the funding sources in connection with the financing agreements. The use of these assets is limited to debt service and other reserves under the terms of the agreements.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 ASSETS LIMITED AS TO USE (CONTINUED)

At December 31, 2015 and 2014 total assets limited as to use were as follows:

	2015	2014
Trustee Held Funds:		
Debt Service Reserve Funds:		
Series 2005 - WEL Series A&B	\$ 2,403,684	\$ 2,299,852
Series 2005 & 2011 - Stapeley	334,402	339,823
Series 2008 - Pennypack	1,102,313	1,102,203
Debt Service Reserve Funds Total	<u>3,840,399</u>	<u>3,741,878</u>
Sinking Fund:		
Series 2005 - Stapeley	398,235	-
Sinking Fund Total	<u>398,235</u>	<u>-</u>
Burholme SR (PHFA Held/Citizens Held):		
Operating Reserve	102,986	102,722
Supportive Services and Replacement Reserve	107,924	138,966
Real Estate Tax and Developer Fee Reserve	228,301	227,771
Rent Subsidies Reserve	387,219	425,693
Burholme SR (PHFA Held/ Citizens Held) Total	<u>826,430</u>	<u>895,152</u>
Liquidity Fund-Stapeley	-	4,728,012
Other Trustee Held Funds:		
Burholme - Replacement Reserve/Escrow	258,291	161,041
Series 2008 - Pennypack	1,051	1,151
Total Other Trustee Held Funds	<u>259,342</u>	<u>162,192</u>
Total	<u>5,324,406</u>	<u>9,527,234</u>
Less: Current Portion	(5,066,115)	(4,799,222)
Assets Limited as to Use - Liquidity Fund	<u>\$ 258,291</u>	<u>\$ 4,728,012</u>

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2015 and 2014 property and equipment consisted of the following:

	2015	2014
Land	\$ 9,072,707	\$ 2,722,710
Land Improvement	3,960,790	3,821,490
Building and Improvements	149,949,133	131,227,390
Furniture, Fixtures and Equipment	21,136,946	18,704,019
Construction in Progress	350,907	5,257,130
Total	<u>184,470,483</u>	<u>161,732,739</u>
Less: Accumulated Depreciation	(70,955,524)	(64,791,790)
Property and Equipment, Net	<u>\$ 113,514,959</u>	<u>\$ 96,940,949</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended December 31, 2015 and 2014 was \$6,134,829 and \$4,641,226, respectively.

The Organization follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. No interest expense or interest income was capitalized for the years ended December 31, 2015 and 2014.

NOTE 6 LONG-TERM DEBT

At December 31, 2015 and 2014 long-term debt consisted of the following:

	2015	2014
Bonds Payable:		
WEL Obligated Group:		
Series 2005A	\$ 18,944,694	\$ 19,684,694
Series 2005B	10,980,000	11,420,000
 Stapeley:		
Series 2005A	2,230,000	2,540,000
Series 2005B	531,000	531,000
Series 2005C	455,000	455,000
Series 2011 Stapeley Conduit Debt	8,710,000	8,710,000
 Pennypack Park Obligated Group:		
Series 2008	18,530,000	18,925,000
 Main Line:		
Series 2009	6,130,424	-
Total Bonds Payable	66,511,118	62,265,694
 Loans Payable:		
Burholme:		
Section 232 HUD Insured Loan	6,073,086	6,125,314
Stapeley:		
2011 Stapeley Term Loan	9,215,120	9,520,120
Burholme SR:		
Mortgage Payable	1,706,675	1,743,016
HOME Loan	2,600,000	2,600,000
PHFA Assistance	8,447,750	8,447,750
Burholme SR Total	12,754,425	12,790,766
 Total Long-Term Debt	94,553,749	90,701,894
Less: Current Maturities	(2,370,748)	(2,277,936)
Total Long-Term Debt, Net of Current Maturities	\$ 92,183,001	\$ 88,423,958

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group

On April 30, 2015, the Community entered into a financing transaction (2015 Financing Agreement) with several regional banks. The transaction was a direct purchase of the Series 2011, 2008, 2005A and 2005B Bonds and a term loan. Under the terms of the restructuring, the Series 2011, 2008, 2005A and 2005B Bonds and a term loan remain outstanding. However, there were modifications made to the interest rates, repayment terms, and financial covenant requirements.

On December 28, 2011 the Obligated Group entered into a financing transaction (2011 Financing Agreement) with several regional banks (collectively referred to as the "Bank"), whereby the former WEL Obligated Group (WEL, Upper Moreland and Doylestown), the former Pennypack Park Obligated Group (Pennypack Park and Foundation) and Stapeley determined it was in the best interest of each entity to form the Obligated Group and to become joint and severally liable for all obligations under this 2011 Financing Agreement.

As part of the 2011 Financing Agreement the Obligated Group requested the Bank directly purchase the Series 2005 WEL Bonds, the 2008 Pennypack Bonds and the 2005 Series B and C Stapeley Bonds upon their remarketing under the respective bond indentures. In addition, the Bank agreed, for the purpose of financing certain additional projects at Stapeley, to extend a taxable term loan in the aggregate principal amount of \$8,710,000, used for the liquidity reserve and refinancing of the Stapeley 2005C bonds. Upon the completion of the 2011 Financing Agreement the Obligated Group consists of the following pieces of long-term debt:

Series 2005 Bonds

On September 1, 2005, WEL, Upper Moreland, and Doylestown (formally known as the WEL Obligated Group) issued 2005 Variable Rate Revenue Bonds Series A in the amount of \$23,000,000 and 2005 Variable Rate Revenue Bond Series B in the amount of \$13,420,000 (collectively known as the Series 2005 Bonds), pursuant to the terms of the loan agreements with The Borough of Langhorne Manor Higher Education and Health Authority. The proceeds from the Series 2005 Bonds were used to refund, defease, and retire the Series 2000A Bonds, the Series 2001 Bonds, the 2000B Bonds, and two promissory notes to the Foundation. In addition, the proceeds were used to finance construction projects at Upper Moreland and Doylestown, fund debt service reserve funds, and finance certain costs associated with the issuance of the Series 2005 Bonds.

Upon completion of the 2015 Financing Agreement, the Series 2005 Bonds mature October 1, 2032 with call options every five years. The principal and interest payments were due monthly, under the 2011 Financing Agreement. Under the 2015 Financing Agreement, interest payments are still due monthly, but principal payments are due annually on October 1st. The Series 2005A and 2005B Bonds bear interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 73% of the 30-day LIBOR rate plus 3.00%, and are due monthly. The 2015 Financing Agreement changed the maximum to not exceed 75% of the 30 day LIBOR rate plus 2.27% and some of the restrictive covenants.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group (Continued)

Series 2008 Bonds

On February 21, 2008, the Foundation and Pennypack Park (formerly known as the Pennypack Park Obligated Group) issued the Retirement Communities Variable Rate Demand Revenue Bonds Series 2008 in the amount of \$20,000,000, pursuant to the terms of the loan agreements with The Philadelphia Authority for Industrial Development. The proceeds from the Series 2008 Bonds were used to refund and retire the Series 1993 bonds. In addition, the proceeds were used to finance construction projects at Pennypack Park, fund debt service reserve funds, and finance certain costs associated with the issuance of the Series 2008 Bonds.

Upon completion of the 2015 Financing Agreement, the Series 2008 Bonds mature October 1, 2038 with call options every five years. The principal and interest payments were due monthly under the 2011 Financing Agreement. Under the 2015 Financing Agreement, interest payments are still due monthly, but principal payments are due annually on January 1st. The Series 2008 Bonds bear interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 73% of the 30-day LIBOR rate plus 3.00%, and are due monthly. The 2015 Financing Agreement changed the maximum to not exceed 75% of the 30 day LIBOR rate plus 2.27% and some of the restrictive covenants.

Series 2005A Bonds – Stapeley

Effective September 1, 2005, the Philadelphia Authority for Industrial Development issued on behalf of Stapeley \$13,640,000 of its Revenue Refunding Bonds ("2005 Bonds"). The 2005 Bonds were issued in three separate series – Series A in the amount of \$4,630,000, Series B in the amount of \$5,800,000 (see below), and Series C in the amount of \$3,210,000 (see below). The 2005 Bonds are payable annually in varying amounts from January 2006 to January 2035 and are secured by a mortgage on Stapeley's real estate and a lien on substantially all of Stapeley's assets. The Series A bonds bear interest at fixed rates ranging from 5.00% to 5.125%. The Series A was not part of the 2015 or 2011 Financing Agreement.

2011 Stapeley Term Loan

Upon completion of the 2011 Financing Agreement, the 2011 Stapeley Term Loan ("Term Loan") was issued in the amount of \$9,815,000. The purpose of the Term Loan was to finance certain projects on behalf of Stapeley. As of December 31, 2014 approximately \$9,815,000 million of proceeds have been drawn down.

Upon completion of the 2015 Financing Agreement, the Term Loan matures January 1, 2038 with call options every five years. The principal payments commenced in 2014 and are due annually on January 1st. The interest payments began in 2012 and are due monthly.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

WEL Obligated Group (Continued)

2011 Stapeley Term Loan (Continued)

The Term Loan bears interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 73% of the 30-day LIBOR rate plus 3.00%, and is due monthly. The 2015 Financing Agreement changed the maximum to not exceed 75% of the 30 day LIBOR rate plus 2.27% and some of the restrictive covenants.

Prior to the 2011 Financing Agreement, the Series B Bonds referred to above, bear interest at rates that are periodically reset. The initial interest rates on the Series B Bonds ranged from 5.00% to 7.50% and the initial reset date was January 1, 2010. Effective January 1, 2010, the reset interest rate on the Series B Bonds was 7.25%, for a period of one year. Stapeley was notified the reset interest rate on the Series B Bonds was 6.875% effective January 1, 2011. From January 1, 2012 through December 31, 2014, the Series 2005B Bonds will have a reset rate of 2.75%.

2011 Stapeley Conduit Bonds

Upon completion of the 2011 Financing Agreement, the 2011 Stapeley Conduit Bonds were issued in the amount of \$8,710,000 and matures January 1, 2038 with call options every five years. The purpose of the Conduit Bonds was to directly repurchase the outstanding amounts of the Series C bonds, as well as to establish a liquidity reserve as defined in the 2011 Financing Agreement. The interest payments began in 2012 and are due monthly. The 2011 Stapeley Conduit Bonds bear interest at tiered variable rates based on minimum financial ratio measures as defined by the restrictive covenants in the 2011 Financing Agreement, not to exceed 30-day LIBOR rate plus 3.0%, and are due monthly. The 2015 Financing Agreement changed the maximum to not exceed 30 day LIBOR rate plus 2.50% and some of the restrictive covenants.

Prior to the 2011 Financing Agreement the Series C Bonds, referred to above, carried interest at a periodically reset rate. The interest rate on the Series 2005C Bonds was 9.00% as of January 1, 2011. The majority of the Series 2005C Bonds were redeemed as of December 31, 2015 and 2014.

The Obligated Group as part of the 2015 and 2011 Financing Agreements is required to meet certain restrictive covenants related to reporting and other financial and non-financial covenants. As of December 31, 2015, management was not aware of instances where the Obligated Group was not in compliance with these covenants.

The Obligated Group's obligations under the 2015 and 2011 Financing Agreements are collateralized by certain real property as outlined in the 2015 and 2011 Financing Agreements.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Main Line

On July 28, 2009, Main Line entered into a Loan and Security Agreement with Bryn Mawr Trust Company (the "Bank") and Delaware County Industrial Development Authority (the "Authority") pursuant to which the Authority sold the Series 2009 bonds to the Bank. From the proceeds, Main Line may borrow up to \$7,000,000 of the Authority's Economic Development Revenue Note (Main Line Project, Series of 2009). The Note Payable bears interest at a fixed rate of 4.13% per annum.

The proceeds of the Note Payable were used to finance a portion of the costs of various capital improvements, including, but not limited to, a new swimming pool, fitness center, kitchen and dining renovations, and apartment renovations, as well as payment of a portion of the costs and expenses of issuing the Note Payable.

Collateral of the debt includes all personal property of Main Line, including accounts receivable, furniture and equipment, deposit accounts, investment property, inventory, and a security interest in all of Main Line's present and future deposits.

Main Line is subject to various covenants under the loan and security agreement. These covenants include various reporting, financial, and operating requirements. As of December 31, 2015, management was not aware of instances where Main Line was not in compliance with these covenants.

Effective March 1, 2015, Main Line entered into a loan modification for the original loan agreement dated July 28, 2009. The maturity date of the loan has been changed to February 1, 2020. Interest rate shall either be the fixed rate equal to qualified tax-free rate of 3.37%, or the fixed rate equal to the non-bank qualified rate of 3.45%, or a variable bank qualified tax-free rate equal to 70% multiplied by the sum of the 30-day LIBPOT plus 225 basis points, to be determined by the parties prior to closing subject to approval by the Delaware County Industrial Development Authority or any industrial development authority. Principal payments commence June 2, 2018.

Section 232 HUD Insured Mortgage Payable

On October 21, 2009, Burholme entered into a mortgage agreement that was insured as a Section 232 HUD mortgage in the amount of \$6,175,000. The term of the loan was for 40 years and the proceeds were used for the renovation and rehabilitation of the assisted living facility. The mortgage had a fixed rate of interest of 6.08%. Under the mortgage agreement, the principal payments commenced on January 1, 2011. Under the Regulatory Agreement for the loan, Burholme is required to fund a reserve for replacements account each month. The monthly funding required by the Regulatory Agreement is \$3,667 per month.

On November 26, 2013, Burholme entered into a section 232 HUD healthcare facility note. The term of the note is 40 years and the proceeds were used to pay off the mortgage entered into on October 1, 2009. The note has a fixed rate of 5%. The scheduled principal payments commence on January 1, 2014.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

HOME Loan – Burholme SR

On March 3, 2010, PGSH, LP entered into a HOME Loan with the Redevelopment Authority of the City of Philadelphia for \$2,600,000. The term of the loan is for 32 years and the proceeds were used for the construction of the residential living community for low to moderate income elderly and disabled adults 62 years of age or older. Except in the event of default, the HOME loan shall bear no interest and there are no payments due on the HOME loan for a period of 32 years (or until the HOME loan is paid in full). There are certain occupancy and rental requirements that must be met as a condition of the loan.

Mortgage Payable – Burholme SR

On March 3, 2010 (the "Closing Date"), PGSH, LP entered into a construction line of credit agreement with a financial institution. The financial institution provided funds to assist the PGSH, LP in the construction of certain buildings and structures. Commencing on the closing date, and continuing until the completion of the construction project, the loan payable was a line of credit provided to fund the construction project. Upon completion of the construction project the Partnership exercised its option to convert the line of credit to a permanent loan. On April 1, 2012 the Partnership converted the line of credit to a loan payable. The loan is due twenty-five years after the conversion date, the principal and interest on the loan is payable monthly. Interest on the loan is equal to 3.0% above the published Federal Home Loan Bank of Pittsburgh rounded up to the nearest one-eighth percent, not to exceed 12.0% in the first ten years and shall not be less than 6.50% per annum during the loan period.

On November 30, 2015, a loan modification agreement was signed. Principal and interest are still due monthly. However, on the maturity date of March 1, 2029, any outstanding principal and interest shall be due and payable. Effective November 1, 2015, the interest rate will adjust to a fixed rate of 5.00% up to December 1, 2020. On December 1, 2020 and December 1, 2025, the interest rate will adjust to a rate equal to the greater of 3.0% above the published Federal Home Loan Bank of Pittsburgh or 5.00%.

The Partnership must comply with certain restrictive covenants related to debt service coverage throughout the term of the loan. As defined in the loan agreement, the Partnership is required to maintain a debt service coverage ratio of 1.05 as of December 31, 2015 and 1.1 prior to the modification agreement dated November 30, 2015. Management has represented that the Partnership was in compliance with all covenants as of December 31, 2015.

Pennsylvania Housing Finance Agency – Burholme SR

On March 3, 2010, PGSH, LP and the Pennsylvania Housing Finance Agency (the "Agency") entered into a conditional commitment for the Agency to provide construction and permanent financing for the construction of Burholme SR (the Project). This commitment is in connection with the federal Low Income Housing Tax Credit Program (LIHTC) and the Section 1602 ("Exchange") Program authorized under the American Recovery and Reinvestment Act of 2009 (ARRA). The commitment was up to \$8,447,750 and the Project must be operated under the rules and restrictions applicable to the LIHTC Program for 30 years.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Pennsylvania Housing Finance Agency – Burholme SR (Continued)

Recapture of the assistance will be required in the event of noncompliance with the ARRA Exchange Assistance documents at any time throughout the first 15 years of the project term (the Recapture Period).

As security for the operation of the Project in compliance with all applicable ARRA requirements and LIHTC Program requirements throughout the full 30 year project term, among other things, the Agency will hold a promissory note secured by a mortgage and security agreement, also held by the Agency, certain financial guaranties, reserves and escrows by the Project Owner, and certain security documents including an indenture of restrictive covenants secured on the real property comprising the Project.

Debt Maturities

As of December 31, 2015, the aggregate maturities of the long-term debt during the next five years and thereafter are as follows:

Year Ending December 31:	Bonds Payable	Mortgages Payable	Total
2016	\$ 1,955,000	\$ 415,748	\$ 2,370,748
2017	2,035,000	426,182	2,461,182
2018	2,389,693	441,650	2,831,343
2019	2,515,363	457,399	2,972,762
2020	2,606,417	473,227	3,079,644
Thereafter	55,009,645	25,828,425	80,838,070
Total	<u>\$ 66,511,118</u>	<u>\$ 28,042,631</u>	<u>\$ 94,553,749</u>

NOTE 7 STANDBY LETTERS OF CREDIT

As part of the 2011 Financing Agreement (see Note 6), the Bank has entered into a standby letter of credit agreement with the Obligated Group up to \$2,200,000. The purpose of the standby letter of credit was to provide credit enhancement in the form of standby letters of credit to support the Obligated Group's self insurance for workers' compensation and malpractice programs. The standby letters of credit carried an annual fee of 2.0% that was payable in advance. Repayment on the letter of credit was due immediately. Unreimbursed draws accrued interest at 30-day LIBOR plus 3.0% calculated on the basis of actual days elapsed in a year consisting of 360 days. The \$2,200,000 was not renewed as part of the 2015 Financing Agreement. The only letter of credit that remains as of December 31, 2015 relates to the workers' compensation policy in the amount of \$500,000 and matures on December 26, 2016 (see Note 9).

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 FAIR VALUE OF INTEREST RATE SWAPS

On September 1, 2005, the former WEL Obligated Group (see Note 6) entered into an interest rate swap agreement. The swap agreement hedges the Series 2005A Bonds by effectively converting interest rates from variable rates to a fixed rate of 3.25% per annum. The agreement expires on October 31, 2032. The purpose of the swap agreement was to place the aggregate net obligation with respect to the Series 2005A Bonds on an approximately fixed rate basis.

On March 28, 2012, the Obligated Group entered into an interest rate swap agreement that replaces the agreement hedging the Series 2008 Bonds which expired on March 1, 2012. The new interest rate swap agreement has an effective date of March 15, 2014 and a termination date of December 1, 2016, with fixed rate payments commencing on April 1, 2014 through the termination date with a fixed rate of 1.34% per annum.

The swap agreements are designated as a derivative at December 31, 2015 and 2014 and are recorded at fair value on the consolidated balance sheet with the change in fair value reported in the consolidated statements of operations and changes in net assets below the performance indicator. As of December 31, 2015 and 2014, the Organization had interest rate swaps outstanding as follows:

2015				
	Maturity Date	Interest Rate	Notional	Fair Value
Series 2005 Bonds	10/1/2032	3.254%	\$ 18,945,000	\$ (3,272,988)
Series 2008 Bonds	12/1/2016	1.780%	18,530,000	(163,988)
Total			<u>\$ 37,475,000</u>	<u>\$ (3,436,976)</u>

2014				
	Maturity Date	Interest Rate	Notional	Fair Value
Series 2005 Bonds	10/1/2032	3.254%	\$ 19,685,000	\$ (3,347,779)
Series 2008 Bonds	12/1/2016	1.340%	18,925,000	(307,689)
Total			<u>\$ 38,610,000</u>	<u>\$ (3,655,468)</u>

NOTE 9 INSURANCE

Workers' Compensation Insurance

The Organization participates in a WEL plan of self insurance for workers' compensation claims in accordance with Pennsylvania Department of Labor and Industry regulations. The Organization currently has a letter of credit in the amount of \$500,000 for the purpose of securing certain obligations under the self insured worker's compensation program.

WEL retains responsibility for the payment of medical, indemnity, and other costs of claims up to the self-insured loss retention of \$450,000 per occurrence and \$3,000,000 in the aggregate prior to the application of coverage provided by its excess insurance contract. As of December 31, 2015 and 2014, liabilities of approximately \$25,519 and \$225,000, respectively, were included in accrued expenses in the accompanying consolidated balance sheets as an established reserve for workers' compensation claims.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 9 INSURANCE (CONTINUED)

Professional and General Liability Insurance

The Obligated Group self-insures its general and professional liability exposure which includes medical malpractice. Pennypack, Doylestown, and Stapeley participate in the Pennsylvania MCare program which covers up to \$500,000 per occurrence and \$1,500,000 in aggregate of professional liability losses within the skilled nursing facilities in excess of \$500,000 per occurrence and \$1,500,000 in the aggregate. The Obligated Group had letters of credit totaling \$900,000 for the purpose of securing any obligation as December 31, 2014. The letters of credit were not renewed in 2015. Management believes there are no material un-asserted claims.

During 2015 and 2014 medical malpractice pending claims and settlements are summarized as follows:

Accrual for Pending Claims	150,000	350,000
Claims Paid	402,500	37,250

NOTE 10 RETIREMENT PLAN

The Organization sponsors the WEL Retirement Plan (the Retirement Plan), a defined contribution savings and retirement plan. Employees are eligible to participate in the Retirement Plan after having attained the age of 21, completing one year of service, and working a minimum of 1,000 hours in the Retirement Plan year. WEL and the Communities make matching non-discretionary contributions and may make additional discretionary contributions to the Retirement Plan. The Organization contributed \$1,019,330 and \$844,139 to the Retirement Plan for the years ended December 31, 2015 and 2014, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

WEL performs certain administrative services for two affiliated, but not consolidated, not-for-profit corporations and at times may borrow funds from these two corporations. At December 31, 2015 and 2014, there were payables and receivables from these corporations of \$67,605 and \$34,225, respectively and are included in accounts payable and other receivables on the consolidated balance sheets. WEL has recorded revenue related to services rendered in both 2015 and 2014 of \$68,700 and \$68,700, respectively.

The Brodheadsville personal care, Alzheimer's and dementia care facility has been experiencing financial difficulties over the past several years. During 2013, a decision was made to sell Brodheadsville. As of December 31, 2013, negotiations had been ongoing and there was a draft of an agreement of sale. Based on this draft agreement of sale, a loss on impairment of assets of \$3,022,197 was recorded in fiscal 2013, which resulted in the assets of Brodheadsville being written down to \$500,000. The original sale agreement for \$500,000 was finalized in March 2015 for \$451,000 after closing costs.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 FUNCTIONAL EXPENSES

The Organization provides residential and health care services to residents of its facilities. Expenses related to these services as of December 31, 2015 and 2014 were as follows:

	2015	2014
General and Administrative	\$ 19,793,060	\$ 15,483,274
Residential and Health Care Services	50,498,519	39,041,760
Fundraising	36,886	67,268
Total Expenses	<u>\$ 70,328,465</u>	<u>\$ 54,592,302</u>

NOTE 13 FAIR VALUE MEASUREMENTS

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2015:

	December 31, 2015	Level 1	Level 2	Level 3
Assets:				
Assets Limited as to Use				
Cash and Cash Equivalents	\$ 5,324,406	\$ 5,324,406	\$ -	\$ -
Total Assets Limited as to Use	5,324,406	5,324,406	-	-
Statutory Liquid Reserves				
Cash and Cash Equivalents	1,093,036	1,093,036	-	-
Bonds	1,343,177	1,343,177	-	-
Equities	2,053,960	2,053,960	-	-
Total Statutory Liquid Reserves	4,490,173	4,490,173	-	-
Unrestricted Investments				
Cash and Cash Equivalents	640,642	640,642	-	-
Bonds	5,055,300	5,055,300	-	-
Equities	9,644,752	9,644,752	-	-
Limited Partnerships	65,625	-	-	65,625
Total Statutory Unrestricted Investments	15,406,319	15,340,694	-	65,625
Remainder Interest in				
Charitable Trust	3,748,083	-	-	3,748,083
	<u>\$ 28,968,981</u>	<u>\$ 25,155,273</u>	<u>\$ -</u>	<u>\$ 3,813,708</u>
Liabilities:				
Fair Value of Interest Rate				
Swap Agreements	<u>\$ (3,436,976)</u>	<u>\$ -</u>	<u>\$ (3,436,976)</u>	<u>\$ -</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2014.

	2014	Level 1	Level 2	Level 3
Assets:				
Assets Limited as to Use				
Cash and Cash Equivalents	\$ 9,527,234	\$ 9,527,234	\$ -	\$ -
Total Assets Limited as to Use	9,527,234	9,527,234	-	-
Statutory Liquid Reserves				
Cash and Cash Equivalents	747,856	747,856	-	-
Bonds	693,505	693,505	-	-
Equities	1,593,074	1,593,074	-	-
Total Statutory Liquid Reserves	3,034,435	3,034,435	-	-
Unrestricted Investments				
Cash and Cash Equivalents	251,392	251,392	-	-
Bonds	3,461,664	3,461,664	-	-
Equities	7,974,481	7,974,481	-	-
Limited Partnerships	37,500	-	-	37,500
Total Statutory Unrestricted Investments	11,725,037	11,687,537	-	37,500
Remainder Interest in				
Charitable Trust	3,951,199	-	-	3,951,199
	<u>\$ 28,237,905</u>	<u>\$ 24,249,206</u>	<u>\$ -</u>	<u>\$ 3,988,699</u>
Liabilities:				
Fair Value of Interest Rate				
Swap Agreements	<u>\$ (3,655,468)</u>	<u>\$ -</u>	<u>\$ (3,655,468)</u>	<u>\$ -</u>

The determination of the fair values above incorporates various factors, including not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the Organization's nonperformance risk on its liabilities.

When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include equity securities and mutual funds, fixed-income mutual funds and real estate mutual funds.

Assets utilizing Level 2 inputs are financial instruments which are valued based on cost. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset, thus these financial instruments are classified within Level 2 of the valuation hierarchy.

Fair values of the remainder interest in charitable trusts are determined based upon good faith estimates of the trust's assets less the present value of estimated future payments to the recipient. The present value is based upon an estimated discount rate and applicable mortality tables, and accordingly, is classified as using a Level 3 input.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Liabilities utilizing Level 2 inputs are derivatives. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the liability, thus derivative instruments are classified within Level 2 of the valuation hierarchy.

NOTE 14 STATUTORY LIQUID RESERVE

Under the provisions of Section 9 of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82), Pennypack Park, Doylestown, Upper Moreland, Burholme, Stapeley, and Main Line must maintain a statutory minimum liquid reserve as of year-end that is equal to the greater of 10% of its individual total projected operating expenses for the next twelve months, exclusive of depreciation and amortization, or the total of all debt service requirements, computed only on the proportional share of financing or operating expenses that is applicable to residents of the Communities under continuing care agreements. Under the provisions and related amendments of the Act, the assets owned by the Communities are shown separately on the consolidated balance sheet to satisfy this requirement. The assets set aside for the statutory liquid reserve are held as either cash and cash equivalents or within investment accounts that have a similar investment allocation as described in the consolidated financial statements (see Note 3). The statutory liquid reserve was met for all facilities.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 14 STATUTORY LIQUID RESERVE (CONTINUED)

As of December 31, 2015, the Communities have statutory liquid reserve calculations as follows:

	2015	2014
Pennypack Park		
Projected Annual Interest Expense	\$ 520,341	\$ 345,586
Principal Payments Due on Long-Term Debt	410,000	410,000
Liquid Reserve Requirement	<u>930,341</u>	<u>755,586</u>
 Projected Annual Operating Expenses	 13,176,997	 12,050,811
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,317,700</u>	<u>1,205,081</u>
 Maximum Liquid Reserve Requirement	 1,317,700	 1,205,081
Approximate Percentage of Continuing Care Clients	<u>46%</u>	<u>33%</u>
 Statutory Liquid Reserve Requirement - Pennypack Park	 <u>\$ 606,142</u>	 <u>\$ 397,677</u>
Doylestown		
Projected Annual Interest Expense	\$ 492,638	\$ 466,596
Principal Payments Due on Long-Term Debt	455,000	460,200
Liquid Reserve Requirement	<u>947,638</u>	<u>926,796</u>
 Projected Annual Operating Expenses	 12,649,016	 11,235,486
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,264,902</u>	<u>1,123,549</u>
 Maximum Liquid Reserve Requirement	 1,264,902	 1,123,549
Approximate Percentage of Continuing Care Clients	<u>80%</u>	<u>94%</u>
 Statutory Liquid Reserve Requirement - Doylestown	 <u>\$ 1,011,921</u>	 <u>\$ 1,056,136</u>
	<u>2015</u>	<u>2014</u>
Upper Moreland		
Projected Annual Interest Expense	\$ 770,536	\$ 726,204
Principal Payments Due on Long-Term Debt	765,000	719,800
Liquid Reserve Requirement	<u>1,535,536</u>	<u>1,446,004</u>
 Projected Annual Operating Expenses	 4,437,380	 3,894,090
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>443,738</u>	<u>389,409</u>
 Maximum Liquid Reserve Requirement	 1,535,536	 1,446,004
Approximate Percentage of Continuing Care Clients	<u>89%</u>	<u>86%</u>
 Statutory Liquid Reserve Requirement - Upper Moreland	 <u>\$ 1,366,627</u>	 <u>\$ 1,243,563</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 14 STATUTORY LIQUID RESERVE (CONTINUED)

Stapeley

Projected Annual Interest Expense	\$ 640,664	\$ 482,893
Principal Payments Due on Long-Term Debt	640,000	615,000
Liquid Reserve Requirement	<u>1,280,664</u>	<u>1,097,893</u>
Projected Annual Operating Expenses	13,921,647	12,697,012
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>1,392,165</u>	<u>1,269,701</u>
Maximum Liquid Reserve Requirement	1,392,165	1,269,701
Approximate Percentage of Continuing Care Clients	<u>22%</u>	<u>22%</u>
Statutory Liquid Reserve Requirement - Stapeley	<u>\$ 306,276</u>	<u>\$ 279,334</u>

Burholme

Projected Annual Interest Expense	\$ 302,178	\$ 332,169
Principal Payments Due on Long-Term Debt	54,900	52,664
Liquid Reserve Requirement	<u>357,078</u>	<u>384,833</u>
Projected Annual Operating Expenses	2,011,881	1,884,787
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>201,188</u>	<u>188,479</u>
Maximum Liquid Reserve Requirement	357,078	384,833
Approximate Percentage of Continuing Care Clients	<u>2%</u>	<u>15%</u>
Statutory Liquid Reserve Requirement - Burholme	<u>\$ 7,142</u>	<u>\$ 57,725</u>

Main Line

Projected Annual Interest Expense	\$ 218,904	\$ -
Principal Payments Due on Long-Term Debt	-	-
Liquid Reserve Requirement	<u>218,904</u>	<u>-</u>
Projected Annual Operating Expenses	13,861,224	-
Minimum Rate	10%	0%
Liquid Reserve Requirement	<u>1,386,122</u>	<u>-</u>
Maximum Liquid Reserve Requirement	1,386,122	-
Approximate Percentage of Continuing Care Clients	<u>86%</u>	<u>0%</u>
Statutory Liquid Reserve Requirement - Main Line	<u>\$ 1,192,065</u>	<u>\$ -</u>
Total Statutory Liquid Reserve Requirement	<u>\$ 4,490,173</u>	<u>\$ 3,034,435</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 15 COMMITMENTS AND CONTINGENCIES

Litigation

The Organization occasionally finds itself as a defendant in legal suits that develop in the normal course of its activities. Although it is impossible to determine the ultimate resolution of the matters that remain unresolved. The Organization believes that any outstanding matters will be resolved and that no significant liability will result from potential claims outstanding. As noted in Note 9, the Obligated Group self-insures its general and professional liability exposure.

Industry

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse statutes as well as other applicable government statutes.

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 16 MAIN LINE AFFILIATION

On March 1, 2015, Wesley Enhanced Living became the sole member of Main Line, a Pennsylvania nonprofit continuing care retirement community. As of the date of transaction, Main Line is referred to as Wesley Enhanced Living Main Line. The affiliation was the result of a strategic and mission oriented plan by the former Martins Run. WEL did not assume any liabilities as a result of the affiliation. The legal entity of Martins Run became a part of the WEL organization, but as a separate legal entity. No consideration was transferred. The net amount of the assets acquired and liabilities assumed exceeded the consideration transferred. Therefore, WEL recognized contributions received in acquisition of Main Line in the consolidated statement of operations and changes in net assets as unrestricted, temporarily restricted and permanently restricted. The assets and liabilities acquired as of March 1, 2015 were as follows:

Assets:

Cash and Cash Equivalents	\$	399,579
Accounts Receivable		967,314
Prepaid Expenses and Other Current Assets		<u>340,794</u>
Total Current Assets		1,707,687
Investments Designated for Future Use		4,650,207
Intangible Assets		6,616,200
Financing Costs		34,697
Property and Equipment		<u>19,483,800</u>
Total Assets	\$	<u><u>32,492,591</u></u>

Liabilities:

Current Portion - Long-Term Debt	\$	219,859
Current Portion of Charitable Gift Annuities		6,320
Accounts Payable and Accrued Expenses		1,683,469
Accrued Payroll and Payroll Taxes		380,775
Escrowed Entrance Fees		718,631
Deposits		<u>57,462</u>
Total Current Liabilities		3,066,516
Long Term Debt- Less Current Portion		5,940,143
Charitable Gift Annuities-Less Current Portion		21,527
Refundable Entrance Fees		7,491,728
Deferred Entrance Fee Revenue		<u>9,747,853</u>
Total Liabilities		26,267,767

Net Assets:

Unrestricted		5,084,893
Temporarily Restricted		962,123
Permanently Restricted		<u>177,808</u>
Total Net Assets		6,224,824
Total Liabilities and Net Assets	\$	<u><u>32,492,591</u></u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 16 MAIN LINE AFFILIATION (CONTINUED)

The amounts of Main Line's revenues and expenses included in Wesley Enhanced Living's consolidated statement of operations and changes in net assets for the year ended December 31, 2015 and had the acquisition date been January 1, 2015 are as follows:

	Actual 3/1/2015 - 12/31/15	Pro Forma 1/1/2015 - 12/31/15
Revenues, Gains and Other Support	\$ 13,688,902	\$ 16,101,851
Expenses	14,889,984	17,595,868
Operating Loss	<u>\$ (1,201,082)</u>	<u>\$ (1,494,017)</u>

NOTE 17 INTANGIBLES

At December 31, 2015, WEL had intangible assets totaling \$6,616,200 recognized from the acquisition of Main Line. Intangibles with determinable useful lives are amortized on a straight-line basis over the estimated useful life of each acquired intangible asset. In 2015, amortization expense relating to intangible assets totaled \$901,667.

Intangibles at December 31, 2015 are summarized as follows:

	<u>Weighted Average Life (yrs)</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Impairments</u>	<u>Net Carrying Value</u>
Intangible assets subject to amortization:					
Resident Contracts	5	\$ 5,410,000	\$ 901,667	\$ -	\$ 4,508,333
Intangible assets not subject to amortization:					
Licenses	N/A	6,200	-	-	6,200
Nursing Bed Acquisition Costs	N/A	1,200,000	-	-	1,200,000
Subtotal		1,206,200	-	-	1,206,200
Total Intangible assets		<u>\$ 6,616,200</u>	<u>\$ 901,667</u>	<u>\$ -</u>	<u>\$ 5,714,533</u>

Estimated amortization expense relating to intangible assets for the succeeding five years and thereafter is as follows:

<u>Year Ending December 31:</u>	
2016	\$ 1,082,000
2017	1,082,000
2018	1,082,000
2019	1,082,000
2020	180,333
Total	<u>\$ 4,508,333</u>

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015
(SEE INDEPENDENT AUDITORS' REPORT)**

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Brodheadsville	Main Line	Elimination Entries	Consolidated Total
ASSETS												
CURRENT ASSETS												
Cash and Cash Equivalents	\$ 1,250,316	\$ 1,757,107	\$ 57,597	\$ 10,024	\$ 1,176,491	\$ 1,409,792	\$ 17,878	\$ 554,065	\$ -	\$ 733,549	\$ -	\$ 6,966,819
Accounts Receivable, Net of Allowance	1,202,541	819,675	176,671	24,941	56,935	1,792,844	-	-	-	1,162,997	-	5,236,604
Other Accounts Receivable	43	1,793	2,552	-	668	-	-	-	-	7,500	-	12,556
Prepaid Expenses and Current Other Assets	104,354	204,107	19,464	27,895	228,546	81,180	-	141,234	-	197,896	-	1,004,676
Current Portion of Assets Limited as to Use	1,103,364	1,118,789	-	826,430	1,284,895	732,637	-	-	-	-	-	5,066,115
Due from Related Parties	-	8,159,020	-	-	-	-	428,474	8,766,498	-	172,904	(17,526,896)	-
Total Current Assets	3,660,618	12,060,491	256,284	889,290	2,747,535	4,016,453	446,352	9,461,797	-	2,274,846	(17,526,896)	18,286,770
Unrestricted Investments	-	6,380,266	-	-	996,049	2,298,155	2,822,076	65,625	-	2,844,148	-	15,406,319
Statutory Liquid Reserves	606,142	1,011,921	7,142	-	1,366,627	306,276	-	-	-	1,192,065	-	4,490,173
Assets Limited as to Use, Net of Current Portion	-	-	258,291	-	-	-	-	-	-	-	-	258,291
Remainder Interest in Charitable Trust	-	-	-	-	-	3,705,746	42,337	-	-	-	-	3,748,083
Property and Equipment, Net	21,636,303	14,386,429	7,208,506	9,916,249	19,565,783	21,168,837	669	63,688	-	19,568,495	-	113,514,959
Deferred Financing Costs, Net	619,668	650,480	113,274	16,999	1,053,754	1,287,937	-	86,419	-	-	-	3,828,531
Intangible Assets	-	-	-	-	-	-	-	-	-	5,714,533	-	5,714,533
Cash Held for Residents	84,114	16,682	-	43,815	-	90,137	-	-	-	1,760	-	236,508
Total Assets	\$ 26,606,845	\$ 34,506,269	\$ 7,843,497	\$ 10,866,353	\$ 25,729,748	\$ 32,873,541	\$ 3,311,434	\$ 9,677,529	\$ -	\$ 31,595,847	\$ (17,526,896)	\$ 165,484,167

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2015
(SEE INDEPENDENT AUDITORS' REPORT)**

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Brodheads ville	Main Line	Elimination Entries	Consolidated Total
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES												
Current Portion of Long-Term Debt	\$ 410,000	\$ 455,000	\$ 54,900	\$ 45,848	\$ 765,000	\$ 640,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,370,748
Current Portion of Annuities Payable	-	-	-	-	-	5,194	44,579	-	-	-	-	49,773
Accounts Payable	639,441	1,145,696	167,604	28,559	623,352	802,477	928	1,020,314	-	2,022,359	-	6,450,730
Accrued Expenses	905,006	699,131	64,221	40,131	179,799	829,668	195,365	914,102	-	733,197	-	4,560,620
Accrued Interest Payable	38,750	19,535	-	-	30,455	71,349	-	-	-	-	-	160,089
Resident Prepaid Rent	256,786	428,903	228,464	205	188,021	248,724	-	-	-	43,715	-	1,394,818
Due to Related Parties	266,216	-	4,154,926	188,310	1,600,017	1,583,261	-	8,587,494	-	1,146,672	(17,526,896)	-
Total Current Liabilities	2,516,199	2,748,265	4,670,115	303,053	3,386,644	4,180,673	240,872	10,521,910	-	3,945,943	(17,526,896)	14,986,778
Long-Term Debt, Less Current Portion	18,120,000	11,524,338	6,018,186	12,708,577	17,180,356	20,501,120	-	-	-	6,130,424	-	92,183,001
Deposits	218,827	420,476	-	-	332,434	174,521	-	-	-	50,086	-	1,196,344
Refundable Portion of Entrance Fees	-	1,908,375	-	-	1,983,900	-	-	-	-	7,137,466	-	11,029,741
Deferred Revenue from Entrance Fees	2,248,328	11,328,122	24,826	-	7,749,166	615,084	-	-	-	10,728,664	-	32,694,190
Fair Value of Interest Rate Swaps	163,989	1,230,839	-	-	2,042,148	-	-	-	-	-	-	3,436,976
Annuities Payable, Less Current Portion	-	-	-	-	-	8,827	132,143	-	-	21,335	-	162,305
Cash Held for Residents	84,114	16,682	-	43,815	-	90,137	-	-	-	1,760	-	236,508
Total Liabilities	23,351,457	29,177,097	10,713,127	13,055,445	32,674,648	25,570,362	373,015	10,521,910	-	28,015,678	(17,526,896)	155,925,843
NET ASSETS (DEFICIT)												
Unrestricted	3,255,388	5,329,172	(2,869,630)	(2,189,092)	(6,944,900)	3,614,608	2,861,874	(844,381)	-	2,672,258	-	4,885,297
Temporarily Restricted	-	-	-	-	-	-	76,545	-	-	730,103	-	806,648
Permanently Restricted	-	-	-	-	-	3,688,571	-	-	-	177,808	-	3,866,379
Total Net Assets (Deficit)	3,255,388	5,329,172	(2,869,630)	(2,189,092)	(6,944,900)	7,303,179	2,938,419	(844,381)	-	3,580,169	-	9,558,324
Total Liabilities and Net Assets (Deficit)	\$ 26,606,845	\$ 34,506,269	\$ 7,843,497	\$ 10,866,353	\$ 25,729,748	\$ 32,873,541	\$ 3,311,434	\$ 9,677,529	\$ -	\$ 31,595,847	\$ (17,526,896)	\$ 165,484,167

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015
(SEE INDEPENDENT AUDITORS' REPORT)**

	Pennypack				Upper		WEL				Elimination	Consolidated
	Park	Doylestown	Burholme	Burholme SR	Moreland	Stapeley	Foundation	WEL	Brodheadsville	Main Line	Entries	Total
REVENUES, GAINS AND OTHER SUPPORT												
Independent Living	\$ 1,522,499	\$ 4,511,072	\$ 40,399	\$ 545,705	\$ 2,468,923	\$ 1,089,599	\$ -	\$ -	\$ -	\$ 3,923,184	\$ (59,741)	\$ 14,041,640
Personal Care	1,385,408	1,505,164	2,245,107	-	1,638,523	2,864,115	-	-	183,923	1,234,647	(149,776)	10,907,111
Skilled Nursing,												
Net of Contractual Allowances	10,083,782	5,692,478	-	-	-	9,777,272	-	-	-	4,496,154	-	30,049,686
Total Resident and Health Care Fees	12,991,689	11,708,714	2,285,506	545,705	4,107,446	13,730,986	-	-	183,923	9,653,985	(209,517)	54,998,437
Amortization of Deferred Entrance Fees	743,799	2,462,818	9,314	-	2,012,939	213,100	-	-	-	2,092,505	-	7,534,475
Interest Income	843	37,841	-	859	62,122	26,330	-	-	-	-	-	127,995
Investment Income	56,871	501,495	-	794	257,078	320	113,971	145	-	314,034	-	1,244,708
Contributions	-	-	-	-	-	57,051	283,964	-	-	77,784	-	418,799
Other	488,812	239,717	17,556	999	88,912	537,949	-	3,748,241	5,390	1,124,129	(3,679,545)	2,572,160
Net Asset Released from Restriction	-	-	-	-	-	-	-	-	-	426,465	-	426,465
Total Unrestricted Revenues, Gains and Other Support	14,282,014	14,950,585	2,312,376	548,357	6,528,497	14,565,736	397,935	3,748,386	189,313	13,688,902	(3,889,062)	67,323,039
EXPENSES												
Personnel	9,129,622	7,717,719	1,221,278	99,709	2,006,771	9,974,337	-	3,096,469	216,124	7,697,904	-	41,159,933
Food	564,278	682,333	133,290	-	217,222	638,981	-	-	15,934	708,995	-	2,961,033
Supplies	710,674	701,575	59,128	4,209	112,981	852,111	9,057	55,698	8,425	520,160	-	3,034,018
Utilities	556,563	524,592	141,492	103,906	409,842	463,425	163	80,443	24,509	501,546	-	2,806,481
Contracts	1,934,037	3,240,653	431,897	149,011	1,226,861	1,346,840	27,263	547,384	46,185	2,631,533	(3,679,545)	7,902,119
Real Estate Taxes	3,661	285,494	-	4,160	440,613	-	-	-	14,659	305,734	-	1,054,321
Insurance	82,263	74,695	57,900	36,408	63,263	62,044	-	39	18,238	151,205	-	546,055
Interest Expense	612,357	498,455	308,038	111,666	763,355	602,295	-	-	-	189,543	-	3,085,709
Depreciation and Amortization	1,382,227	1,108,240	275,943	397,053	1,035,089	958,830	403	20,122	-	2,075,031	-	7,252,938
Bad Debt Expense	50,000	50,000	-	7,525	-	310,000	-	-	-	108,333	-	525,858
Total Expenses	15,025,682	14,883,756	2,628,966	913,647	6,275,997	15,208,863	36,886	3,800,155	344,074	14,889,984	(3,679,545)	70,328,465
OPERATING INCOME (LOSS)	\$ (743,668)	\$ 66,829	\$ (316,590)	\$ (365,290)	\$ 252,500	\$ (643,127)	\$ 361,049	\$ (51,769)	\$ (154,761)	\$ (1,201,082)	\$ (209,517)	\$ (3,005,426)

**WESLEY ENHANCED LIVING
AND SUBSIDIARY ORGANIZATIONS
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(SEE INDEPENDENT AUDITORS' REPORT)**

	Pennypack Park	Doylestown	Burholme	Burholme SR	Upper Moreland	Stapeley	WEL Foundation	WEL	Brodheadsville	Main Line	Elimination Entries	Consolidated Total
OPERATING INCOME (LOSS)	\$ (743,668)	\$ 66,829	\$ (316,590)	\$ (365,290)	\$ 252,500	\$ (643,127)	\$ 361,049	\$ (51,769)	\$ (154,761)	\$ (1,201,082)	\$ (209,517)	\$ (3,005,426)
OTHER INCOME (LOSS)												
Gain (Loss) on Sale of Brodheadsville								223,042	(314,110)			(91,068)
Acquisition Costs	-	-	-	-	-	-	-	-	-	(789,463)	-	(789,463)
Contribution Received in Acquisition of WEL at Main Line	-	-	-	-	-	-	-	-	-	5,084,893	-	5,084,893
Loss on Extinguishment of Debt	-	-	-	(84,474)	-	-	-	-	-	-	-	(84,474)
Total Other Income (Loss)	-	-	-	(84,474)	-	-	-	223,042	(314,110)	4,295,430	-	4,119,888
REVENUES AND OTHER SUPPORT IN EXCESS OF (LESS THAN) EXPENSES AND LOSSES	(743,668)	66,829	(316,590)	(449,764)	252,500	(643,127)	361,049	171,273	(468,871)	3,094,348	(209,517)	1,114,462
OTHER CHANGES IN UNRESTRICTED NET ASSETS												
Net Unrealized Loss on Investments	(140,655)	(647,768)	-	-	(295,646)	(77,442)	(150,257)	-	-	(422,090)	-	(1,733,858)
Change in Fair Value of Interest Rate Swap Agreement	143,701	29,916	-	-	44,874	-	-	-	-	-	-	218,491
Grants to Facilities	-	-	-	-	-	-	(209,517)	-	-	-	209,517	-
Total Other Changes in Unrestricted Net Assets	3,046	(617,852)	-	-	(250,772)	(77,442)	(359,774)	-	-	(422,090)	209,517	(1,515,367)
CHANGE IN UNRESTRICTED NET ASSETS	(740,622)	(551,023)	(316,590)	(449,764)	1,728	(720,569)	1,275	171,273	(468,871)	2,672,258	-	(400,905)
TEMPORARY RESTRICTED NET ASSETS												
Contribution Received in Acquisition of WEL at Main Line	-	-	-	-	-	-	-	-	-	962,123	-	962,123
Net Asset Released from Restriction	-	-	-	-	-	-	-	-	-	(426,465)	-	(426,465)
Contributions	-	-	-	-	-	-	-	-	-	194,445	-	194,445
CHANGE IN TEMPORARY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	-	730,103	-	730,103
PERMANENTLY RESTRICTED NET ASSETS												
Contribution Received in Acquisition of WEL at Main Line	-	-	-	-	-	-	-	-	-	177,808	-	177,808
Change in Charitable Trust Remainder Interest	-	-	-	-	-	(203,116)	-	-	-	-	-	(203,116)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	(203,116)	-	-	-	177,808	-	(25,308)
CHANGE IN NET ASSETS	(740,622)	(551,023)	(316,590)	(449,764)	1,728	(923,685)	1,275	171,273	(468,871)	3,580,169	-	303,890
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	3,996,010	5,880,195	(2,553,040)	(1,739,328)	(6,946,628)	8,226,864	2,937,144	(1,015,654)	468,871	-	-	9,254,434
NET ASSETS (DEFICIT) - END OF YEAR	\$ 3,255,388	\$ 5,329,172	\$ (2,869,630)	\$ (2,189,092)	\$ (6,944,900)	\$ 7,303,179	\$ 2,938,419	\$ (844,381)	\$ -	\$ 3,580,169	\$ -	\$ 9,558,324

APPENDIX C
FINANCIAL FEASIBILITY STUDY

[THIS PAGE INTENTIONALLY LEFT BLANK]

**Wesley Enhanced Living
Obligated Group**

Financial Feasibility Study

Five Years Ending December 31, 2021

Wesley Enhanced Living Obligated Group
Financial Feasibility Study
Five Years Ending December 31, 2021

TABLE OF CONTENTS

Independent Accountants' Examination Report.....	C-1
Forecasted Financial Statements:	
Forecasted Statements of Operations and Changes in Net Assets	C-4
Forecasted Statements of Cash Flows	C-5
Forecasted Balance Sheets	C-6
Forecasted Financial Ratios.....	C-7
Summary of Significant Forecast Assumptions and Accounting Policies	
Basis of Presentation	C-8
Background	C-8
The Obligated Group.....	C-8
Summary of Financing	C-15
Description of the Residency Agreements	C-17
Regulatory	C-21
Characteristics of the Market Area.....	C-24
Summary of Significant Accounting Policies	C-51
Summary of Revenue and Entrance Fee Assumptions	C-53
Summary of Operating Expense Assumptions.....	C-58
Assets Limited as to Use	C-58
Property and Equipment and Depreciation Expense.....	C-60
Debt and Interest Expense.....	C-60
Early Extinguishment of Debt.....	C-63
Annuities Payable.....	C-63
Related Party Receivables.....	C-63
Current Assets and Current Liabilities	C-63
Independent Accountant's Report on Supplemental Information	C-64

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

Board of Directors
Wesley Enhanced Living Obligated Group
Warminster, Pennsylvania

We have prepared a financial feasibility study of the plans of Evangelical Services for the Aging, d/b/a Wesley Enhanced Living ("WEL" or the "Corporation"), a nonprofit organization located in Warminster, Pennsylvania, which currently controls six residential senior living communities in Pennsylvania including Wesley Enhanced Living Pennypack Park ("Pennypack"), Wesley Enhanced Living Doylestown ("Doylestown"), Wesley Enhanced Living Burholme ("Burholme"), Wesley Enhanced Living Upper Moreland ("Upper Moreland"), Wesley Enhanced Living Stapeley ("Stapeley"), and Wesley Enhanced Living Main Line ("Main Line").

The Corporation is also the limited and general partner of Pilgrim Gardens Senior Housing, L.P. ("Burholme SR"), located on the same campus as Burholme. Martins Run Home Partners ("MRHP") is a wholly owned subsidiary of Main Line that provides home health services. Wesley Enhanced Living Foundation (the "Foundation") is a nonprofit corporation that engages in fund-raising activities for the Corporation and its subsidiaries.

Management of the Corporation ("Management") intends to create a new obligated group (the "Obligated Group") that would include the Corporation, the Foundation, Pennypack, Doylestown, Upper Moreland, Stapeley, Main Line, and MRHP (the "Obligated Group Members") for the purpose of refinancing the existing debt obligations (the "Existing Debt") of the Obligated Group members. Burholme and Burholme SR would not be part of the Obligated Group. The Obligated Group is solely responsible for the payment of debt service on the proposed Series 2017 Bonds (hereinafter defined). In addition, Management intends to fund certain renovations, future capital improvements across the campuses of the Obligated Group members (the "Communities"), future entrance fee refunds, and payment of outstanding accounts payable.

The feasibility study was undertaken to evaluate the Obligated Group's ability to generate sufficient funds to meet its operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the proposed \$126,615,000 Philadelphia Authority for Industrial Development Senior Living Facility Revenue Bonds (Wesley Enhanced Living Obligated Group), Series 2017 (the "Series 2017 Bonds").

As provided by the Obligated Group's underwriter, RBC Capital Markets (the "Underwriter"), the Series 2017 Bonds are assumed to be rated, non-investment grade, tax-exempt and taxable bonds, assumed to be issued at a premium, with assumed interest rates ranging from 5.10 to 6.50 percent per annum.

The proceeds from the Series 2017 Bonds and trustee held funds associated with the Existing Debt are assumed to be used as follows:

- To refund the outstanding Existing Debt;
- To fund the cost of certain renovations and future capital improvements at the Communities;
- To pay for the termination of an existing swap agreement;
- To fund future entrance fee refunds;
- To fund payment of outstanding accounts payable;
- To fund a debt service reserve fund for the Series 2017 Bonds; and
- To pay costs associated with the issuance of the Series 2017 Bonds.

Our procedures included analysis of:

- The Obligated Group's history, objectives, timing and financing;
- Debt service requirements and estimated financing costs;
- Staffing requirements, salaries and wages, related fringe benefits and other operating expenses;
- Anticipated entrance fees (as applicable), monthly fees and per diem charges for each resident of the Communities;
- Sources of other operating and non-operating revenues; and
- Revenue/expense/volume relationships.

The accompanying financial forecast for each of the years in the five year period ending December 31, 2021 is based on assumptions that were provided by, or reviewed with and approved by, Management. The financial forecast includes the following financial statements and the related summary of significant forecast assumptions and accounting policies:

- Forecasted Statements of Operations and Changes in Net Assets;
- Forecasted Statements of Cash Flows;
- Forecasted Balance Sheets; and
- Forecasted Financial Ratios.

We have examined the accompanying forecast of the Obligated Group based on the guidelines for the presentation of a forecast by the American Institute of Certified Public Accountants ("AICPA"). Management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the AICPA. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Management's financial forecast is based on the achievement and maintenance of occupancy levels as determined by Management. We have not been engaged to evaluate the effectiveness of Management, and we are not responsible for future marketing efforts and other Management actions upon which actual results will depend.

The assumed interest rates, principal payments and other financing assumptions are described in the section entitled "Summary of Significant Forecast Assumptions and Accounting Policies." If actual interest rates or principal payments are different from those assumed in this study, the amount of the Series 2017 Bonds and associated debt service requirements would need to be adjusted accordingly from those indicated in the forecast. If such interest rates and principal payments are lower than those assumed, such adjustments would not adversely affect Management's forecast.

Our conclusions are presented below:

- In our opinion, the accompanying financial forecast is presented, in all material respects, in accordance with guidelines for presentation of a financial forecast established by the AICPA.
- In our opinion, the underlying assumptions are suitably supported to provide a reasonable basis for Management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.
- The accompanying financial forecast indicates that sufficient funds could be generated to meet the Obligated Group's operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the proposed Series 2017 Bonds, during the forecast period. However, the achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Dixon Hughes Goodman LLP

Atlanta, Georgia
July 14, 2017

Wesley Enhanced Living Obligated Group

Forecasted Statements of Operations and Changes in Net Assets For the Years Ending December 31, (In Thousands)

	2017	2018	2019	2020	2021
Revenues, Gains, and Other Support					
Independent Living	\$ 15,344	\$ 15,969	\$ 16,411	\$ 16,838	\$ 17,276
Personal care	9,450	9,642	9,835	10,031	10,232
Skilled nursing, net of contractual allowances	31,390	31,799	32,241	32,686	33,141
Total resident and health care fees	\$ 56,184	\$ 57,410	\$ 58,487	\$ 59,555	\$ 60,649
Amortization of deferred entrance fees	8,082	8,405	8,821	9,279	9,791
Interest income	605	912	1,020	1,094	1,169
Other	3,133	3,227	3,295	3,378	3,478
Total Unrestricted Revenues, Gains, and Other Support	\$ 68,004	\$ 69,954	\$ 71,623	\$ 73,306	\$ 75,087
Expenses					
Salaries and wages	\$ 33,997	\$ 34,677	\$ 35,370	\$ 36,077	\$ 36,799
Employee taxes and benefits	7,957	8,128	8,290	8,456	8,625
Contracted services	3,523	3,593	3,665	3,738	3,813
Medical supplies/services	1,436	1,464	1,494	1,524	1,554
Marketing and promotion	944	963	982	1,002	1,022
Supplies	1,912	1,950	1,989	2,029	2,070
Food	3,009	3,100	3,175	3,248	3,324
Insurance	361	369	376	383	391
Utilities	2,706	2,786	2,852	2,918	2,985
Repairs and maintenance	928	946	965	984	1,004
Bad debt expense	250	255	260	265	271
Real estate taxes	1,051	1,072	1,094	1,115	1,138
Other expenses	1,094	1,116	1,138	1,161	1,184
Interest and financing expense	3,951	5,817	6,775	6,687	6,593
Depreciation and amortization	5,761	5,985	6,572	6,710	6,055
Total Expenses	\$ 68,880	\$ 72,221	\$ 74,997	\$ 76,297	\$ 76,828
Operating Loss	\$ (876)	\$ (2,267)	\$ (3,374)	\$ (2,991)	\$ (1,741)
Other Income (Loss):					
Contributions	\$ 290	\$ 290	\$ 286	\$ 281	\$ 278
Loss on early extinguishment of debt	(3,145)	-	-	-	-
Change in fair value of interest rate swap agreements	201	-	-	-	-
Total Other Income (Loss)	\$ (2,654)	\$ 290	\$ 286	\$ 281	\$ 278
Change in Unrestricted Net Assets	\$ (3,530)	\$ (1,977)	\$ (3,088)	\$ (2,710)	\$ (1,463)
Net assets, beginning of year,	\$ 15,651	\$ 12,121	\$ 10,144	\$ 7,056	\$ 4,346
Net Assets, End of Year	\$ 12,121	\$ 10,144	\$ 7,056	\$ 4,346	\$ 2,883

See accompanying Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Examination Report

Wesley Enhanced Living Obligated Group

Forecasted Statements of Cash Flows For the Years Ending December 31, (In Thousands)

	2017	2018	2019	2020	2021
Operating Activities:					
Change in net assets	\$ (3,530)	\$ (1,977)	\$ (3,088)	\$ (2,710)	\$ (1,463)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-					
Depreciation	4,679	4,903	5,490	5,628	5,750
Amortization of deferred financing fees	344	134	134	134	134
Amortization of intangible assets	1,082	1,082	1,082	1,082	305
Loss on early extinguishment of debt	3,145	-	-	-	-
Change in fair value of interest rate swap agreements	(201)	-	-	-	-
Amortization of deferred entrance fees	(8,082)	(8,405)	(8,821)	(9,279)	(9,791)
Proceeds received from entrance fees	11,617	12,323	12,006	11,757	11,857
(Increase) decrease in:					
Accounts receivable	320	(103)	(89)	(89)	(93)
Other receivables	(254)	(6)	(5)	(5)	(6)
Prepaid expenses and other assets	(154)	(21)	(21)	(22)	(21)
Increase (decrease) in:					
Annuities payable	(36)	(36)	(34)	(28)	(24)
Accounts payable	(2,000)	64	62	64	65
Accrued expenses	690	92	91	92	95
Accrued bond interest	2,802	528	(43)	(45)	(48)
Net cash provided by operating activities	\$ 10,422	\$ 8,578	\$ 6,764	\$ 6,579	\$ 6,760
Investing Activities:					
Purchase of property and equipment - Main Line Renovation	\$ (5,000)	\$ (10,000)	\$ -	\$ -	\$ -
Purchase of property and equipment - ongoing capital expenditures	(3,370)	(2,920)	(2,420)	(2,070)	(2,070)
Interest cost capitalized during construction	(321)	(1,029)	-	-	-
Change in investments	(7,195)	(2,794)	(4,567)	(4,563)	(4,838)
Change in assets limited to use	(38,322)	12,151	4,434	4,232	4,136
Net cash used in investing activities	\$ (54,208)	\$ (4,592)	\$ (2,553)	\$ (2,401)	\$ (2,772)
Financing Activities:					
Proceeds from long-term debt - Series 2017 Bonds	126,615	-	-	-	-
Deferred financing fees	(2,780)	-	-	-	-
Redemption of long-term debt - Series 2005 Bonds - WEL Obligated Group	(28,705)	-	-	-	-
Redemption of long-term debt - Series 2005/2011 Bonds - Stapeley	(11,092)	-	-	-	-
Redemption of long-term debt - Series 2008 Bonds - Pennypack	(17,690)	-	-	-	-
Repayment of long-term debt - 2009 Bank Loan - Main Line	(6,123)	-	-	-	-
Repayment of long-term debt - 2011 Term Loan - Stapeley	(8,580)	-	-	-	-
Principal payments on long-term debt - Series 2005/2011 Bonds - Stapeley	(345)	-	-	-	-
Principal payments on long-term debt - Series 2008 Bonds - Pennypack	(430)	-	-	-	-
Principal payments on long-term debt - Series 2017 Bonds	-	(1,130)	(1,570)	(1,655)	(1,750)
Principal payments on long-term debt - 2011 Term Loan - Stapeley	(320)	-	-	-	-
Interest rate swap termination fee	(2,616)	-	-	-	-
Refunds of entrance fees	(2,799)	(2,705)	(2,493)	(2,372)	(2,084)
Net cash provided by (used in) financing activities	\$ 45,135	\$ (3,835)	\$ (4,063)	\$ (4,027)	\$ (3,834)
Net change in cash and cash equivalents	\$ 1,349	\$ 151	\$ 148	\$ 151	\$ 154
Cash and cash equivalents balance, beginning of year	\$ 5,790	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589
Cash and cash equivalents balance, end of year	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589	\$ 7,743

**See accompanying Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Examination Report**

Wesley Enhanced Living Obligated Group

Forecasted Balance Sheets As of December 31, (In Thousands)

	2017	2018	2019	2020	2021
Assets					
Current Assets:					
Cash and cash equivalents	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589	\$ 7,743
Accounts receivable, net of allowance	4,613	4,716	4,805	4,894	4,987
Other accounts receivables	264	270	275	280	286
Prepaid expenses and other current assets	1,008	1,029	1,050	1,072	1,093
Current portion of assets limited as to use - Bond Fund	1,829	4,127	4,127	4,129	4,126
Due from related parties	4,354	4,354	4,354	4,354	4,354
Total Current Assets	\$ 19,207	\$ 21,786	\$ 22,049	\$ 22,318	\$ 22,589
Unrestricted investments	\$ 21,499	\$ 24,293	\$ 28,860	\$ 33,423	\$ 38,261
Statutory liquid reserves	4,937	5,117	5,160	5,203	5,243
Assets Limited as to Use:					
Project Fund - Series 2017 Bonds	21,630	8,710	6,290	4,220	2,150
Debt Service Reserve Fund - Series 2017 Bonds	8,267	8,267	8,267	8,267	8,267
Refund Reserve Fund	10,041	8,332	6,275	4,068	1,965
Total Assets Limited as to Use	\$ 39,938	\$ 25,309	\$ 20,832	\$ 16,555	\$ 12,382
Remainder interest in charitable trust	3,537	3,537	3,537	3,537	3,537
Property and equipment, net	97,740	106,786	103,716	100,158	96,478
Intangible assets	3,551	2,469	1,387	305	-
Cash held for residents	152	152	152	152	152
Total Assets	\$ 190,561	\$ 189,449	\$ 185,693	\$ 181,651	\$ 178,642
Liabilities					
Current Liabilities:					
Current portion of long-term debt	\$ 1,130	\$ 1,570	\$ 1,655	\$ 1,750	\$ 1,840
Current portion of annuities payable	36	34	28	24	20
Accounts payable	3,008	3,072	3,134	3,198	3,263
Accrued expenses and other	4,365	4,457	4,548	4,640	4,735
Accrued interest payable	2,975	3,503	3,460	3,415	3,367
Resident prepaid rent	1,068	1,068	1,068	1,068	1,068
Total Current Liabilities	\$ 12,582	\$ 13,704	\$ 13,893	\$ 14,095	\$ 14,293
Long-term debt - Series 2017 Bonds	125,485	123,915	122,260	120,510	118,670
Deferred financing fees, net	(2,713)	(2,579)	(2,445)	(2,311)	(2,177)
Deposits	1,458	1,458	1,458	1,458	1,458
Refundable portion of entrance fees	7,114	5,805	4,647	3,640	2,837
Deferred revenue from entrance fees	34,235	36,757	38,607	39,720	40,505
Annuities payable, less current portion	127	93	65	41	21
Cash held for residents	152	152	152	152	152
Total Liabilities	\$ 178,440	\$ 179,305	\$ 178,637	\$ 177,305	\$ 175,759
Net Assets:					
Unrestricted	\$ 7,686	\$ 5,709	\$ 2,621	\$ (89)	\$ (1,552)
Temporarily restricted	763	763	763	763	763
Permanently restricted	3,672	3,672	3,672	3,672	3,672
Total Net Assets	\$ 12,121	\$ 10,144	\$ 7,056	\$ 4,346	\$ 2,883
Total Liabilities and Net Assets	\$ 190,561	\$ 189,449	\$ 185,693	\$ 181,651	\$ 178,642

**See accompanying Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Examination Report**

Wesley Enhanced Living Obligated Group

Forecasted Financial Ratios For the Years Ending December 31, (In Thousands, Except for Ratios)

Debt Service Coverage Ratio	2017	2018	2019	2020	2021
Change in Unrestricted Net Assets	\$ (3,530)	\$ (1,977)	\$ (3,088)	\$ (2,710)	\$ (1,463)
Less:					
Amortization of deferred entrance fees	(8,082)	(8,405)	(8,821)	(9,279)	(9,791)
Refunds of entrance fees	(2,799)	(2,705)	(2,493)	(2,372)	(2,084)
Add:					
Depreciation	4,679	4,903	5,490	5,628	5,750
Amortization of intangible assets	1,082	1,082	1,082	1,082	305
Loss on early extinguishment of debt	3,145	-	-	-	-
Change in fair value of interest rate swap agreements	(201)	-	-	-	-
Interest and financing expense ^(a)	3,951	5,817	6,775	6,687	6,593
Proceeds received from entrance fees	11,617	12,323	12,006	11,757	11,857
Release of Refund Reserve Fund	2,559	1,709	2,057	2,207	2,103
Funds available for debt service	\$ 12,421	\$ 12,747	\$ 13,008	\$ 13,000	\$ 13,270
Maximum annual debt service ^(b)	\$ 8,267	\$ 8,267	\$ 8,267	\$ 8,267	\$ 8,267
Maximum annual debt service coverage ratio	1.50 x	1.54 x	1.57 x	1.57 x	1.61 x

Days Cash on Hand	2017	2018	2019	2020	2021
Cash and cash equivalents	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589	\$ 7,743
Unrestricted investments	21,499	24,293	28,860	33,423	38,261
Statutory liquid reserves	4,937	5,117	5,160	5,203	5,243
Refund Reserve Fund	10,041	8,332	6,275	4,068	1,965
Cash on hand	\$ 43,616	\$ 45,032	\$ 47,733	\$ 50,283	\$ 53,212
Total expenses	\$ 68,880	\$ 72,221	\$ 74,997	\$ 76,297	\$ 76,828
Less:					
Depreciation	(4,679)	(4,903)	(5,490)	(5,628)	(5,750)
Amortization of deferred financing fees	(344)	(134)	(134)	(134)	(134)
Amortization of intangible assets	(1,082)	(1,082)	(1,082)	(1,082)	(305)
Total expenses, less depreciation and amortization	\$ 62,775	\$ 66,102	\$ 68,291	\$ 69,453	\$ 70,639
Daily operating expenses ^(c)	172	181	187	190	194
Days cash on hand	254	249	255	265	274

Cash to Debt Ratio	2017	2018	2019	2020	2021
Cash and cash equivalents	\$ 7,139	\$ 7,290	\$ 7,438	\$ 7,589	\$ 7,743
Unrestricted investments	21,499	24,293	28,860	33,423	38,261
Statutory liquid reserves	4,937	5,117	5,160	5,203	5,243
Refund Reserve Fund	10,041	8,332	6,275	4,068	1,965
Current portion of assets limited as to use - Bond Fund	1,829	4,127	4,127	4,129	4,126
Debt Service Reserve Fund - Series 2017 Bonds	8,267	8,267	8,267	8,267	8,267
Cash available for debt service	\$ 53,712	\$ 57,426	\$ 60,127	\$ 62,679	\$ 65,605
Long-term indebtedness outstanding ^(d)	\$ 126,615	\$ 125,485	\$ 123,915	\$ 122,260	\$ 120,510
Cash to debt ratio	0.42 x	0.46 x	0.49 x	0.51 x	0.54 x

(a) Interest expense includes amortization of deferred financing fees.

(b) The Maximum Annual Debt Service is equal to the greatest debt service requirement in the then current or any future fiscal year.

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

(d) Long-term indebtedness outstanding includes the Series 2017 Bonds

**See accompanying Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Examination Report**

Wesley Enhanced Living Obligated Group

Summary of Significant Forecast Assumptions and Accounting Policies

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management (“Management”) of Evangelical Services for the Aging d/b/a Wesley Enhanced Living (“WEL” or the “Corporation”), the expected financial position, results of operations, and cash flows of an obligated group (the “Obligated Group”) as of and for each of the five years ending December 31, 2021. Accordingly, the financial forecast reflects the judgment of management of the Obligated Group (“Management”) as of July 14, 2017, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Background

WEL is a Pennsylvania nonprofit corporation, originally organized in 1990 for the purpose of operating and managing residential senior living communities. The Corporation is currently the sole member of six communities in the greater Philadelphia area, including Wesley Enhanced Living Pennypack Park (“Pennypack”), Wesley Enhanced Living Doylestown (“Doylestown”), Wesley Enhanced Living Burholme (“Burholme”), Wesley Enhanced Living Upper Moreland (“Upper Moreland”), Wesley Enhanced Living at Stapeley (“Stapeley”), and Wesley Enhanced Living Main Line (“Main Line”).

The Corporation is also the limited and general partner of Pilgrim Gardens Senior Housing, L.P. (“Burholme SR”), which operates affordable independent living residences on the Burholme campus. Martins Run Home Partners (“MRHP”) is a wholly owned subsidiary of Main Line that provides home health services. Wesley Enhanced Living Foundation (the “Foundation”) is a nonprofit corporation that engages in fund-raising activities for the Corporation and its subsidiaries.

The business and affairs of the Corporation are managed by a Board of Directors (individually each a “Director” and collectively, the “Board”) consisting of at least nine and no more than thirty-five Directors, elected for three year terms. One group or class of Directors, not including the President, is elected annually by the other Directors whose terms of office are not then expiring.

The Obligated Group

Management of the Corporation (“Management”) intends to create a new obligated group (the “Obligated Group”) that would include the Corporation, the Foundation, Pennypack, Doylestown, Upper Moreland, Stapeley, Main Line, and MRHP (the “Obligated Group Members”) for the purpose of refinancing the existing debt obligations of the Obligated Group Members and funding renovations and certain capital improvements across the campuses of the Obligated Group Members (the “Communities”).

Burholme and Burholme SR would not be part of the Obligated Group. The Obligated Group is solely responsible for the payment of debt service on the proposed Series 2017 Bonds (hereinafter defined).

See Independent Accountants’ Examination Report

The following table shows the unit mix for the Communities.

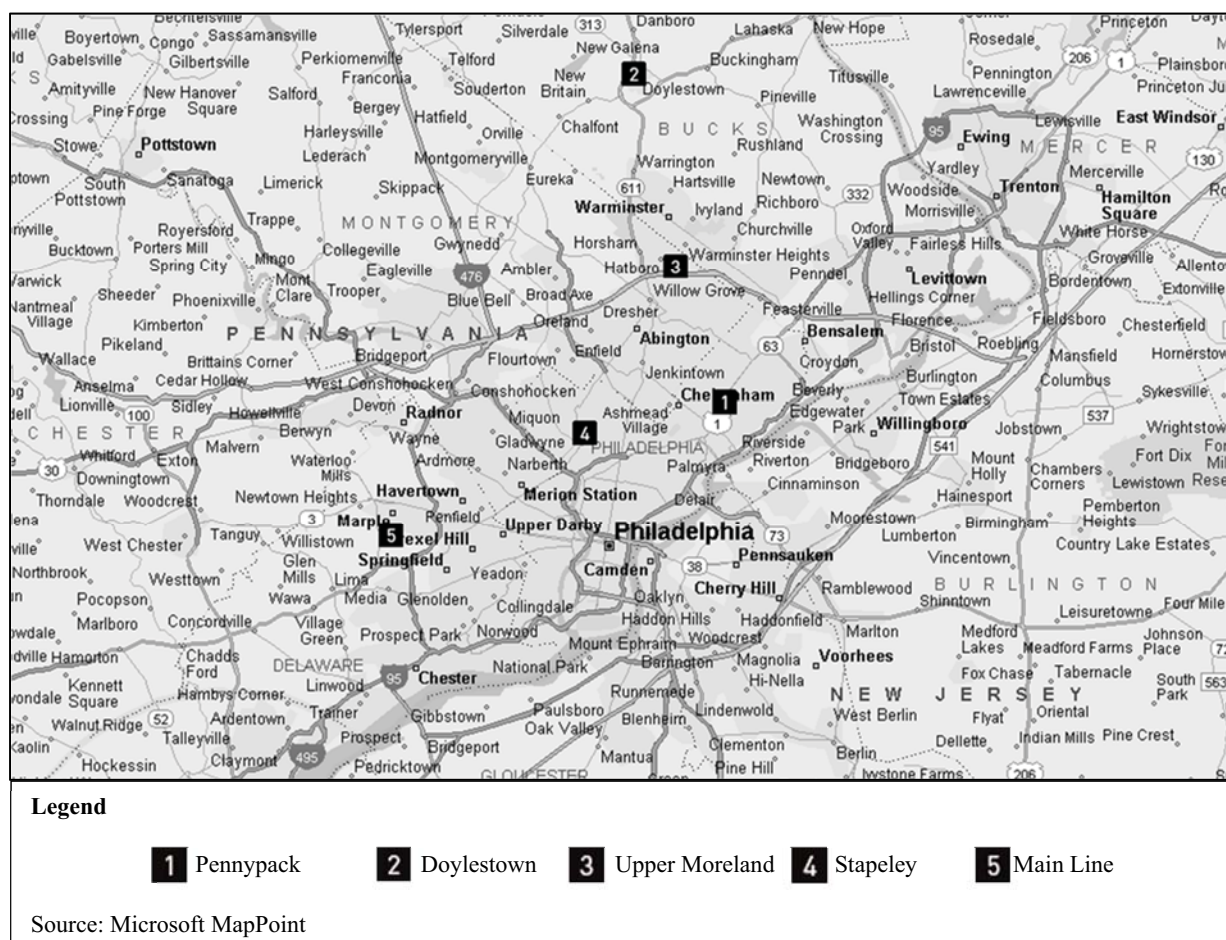
Table 1
The Communities – Unit Mix

Community	Independent Living Units	Personal Care Units	Memory Care Units	Nursing Care Beds	Total
Pennypack	72	39	—	120	231
Doylestown ⁽¹⁾	219	—	—	60	279
Upper Moreland	150	33	—	—	183
Stapeley	43	46	21	120	230
Main Line	163	30	—	60	253
Total	647	148	21	360	1,176

Source: Management

(1) Doylestown does not have any dedicated personal care units; however, it is permitted to designate up to 75 independent living units for personal care services.

The following map depicts the locations of the Communities.



Pennypack

Pennypack is located at 8401 Roosevelt Boulevard in Philadelphia, Philadelphia County, Pennsylvania. Pennypack was constructed in four phases between 1930 and 1980 and completed a modernization and repositioning project in 2011. Pennypack currently consists of the following:

- 72 independent living apartment units (the “Pennypack ILUs”);
- 39 personal care units (the “Pennypack PCUs”) including 21 units in the Manor Building and 18 units in the Roosevelt Building; and
- 120 skilled nursing beds (the “Pennypack Nursing Beds”).

Common areas and amenities include a dining room, café, courtyard gardens, gazebo, walking trails, library, craft room, social hall, meditation chapel, fitness center, computer lab, gift shop, private dining room, and beauty salon and barber shop. The total square footage of Pennypack approximates 216,000 square feet.

The following table summarizes the type, number, approximate square footage, entrance fees, monthly fees and daily fees for the units at Pennypack.

Table 2				
Pennypack Unit Configuration				
Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studios	12	325	\$1,218	\$7,500 – 15,000
One Bedroom	28	620 – 636	\$1,657 – 1,907	\$25,000 – 79,000
Two Bedroom	32	952 – 1,040	\$1,988 – 2,277	\$37,500 – 110,000
Total/Weighted Average – Independent	72	741	\$1,844	\$54,875
<i>Personal Care Units⁽³⁾⁽⁴⁾</i>				
Studios	33	300	\$2,433 – 4,228	–
One Bedroom	5	528	\$3,528 – 4,715	–
Two Bedroom	1	750	\$3,680	–
Total/Weighted Average – Personal Care	39	341	\$3,441	–
<i>Nursing Beds</i>			Daily Fee	
Private	10	150	\$373	–
Semi-private	110	270	\$322	–
Total/Weighted Average – Nursing	120	260	\$326	–
Total Units/Beds	231			

Source: Management

(1) Entrance fees and monthly fees are effective as of January 1, 2017.

(2) The second person entrance fee for the Pennypack ILUs is \$10,000. The second person monthly fee for the Pennypack ILUs ranges from \$552 to \$625.

(3) Semi-private rooms are available in the Pennypack PCUs in the Manor Building for \$2,768 per month plus additional levels of care fees. The second person monthly fee in the Pennypack PCUs in the Roosevelt Building is \$2,160.

(4) One additional level of care is available in the Manor Building for \$304 to \$395 for a private accommodation and \$426 for a semi-private accommodation. Two additional levels of care are available in the Roosevelt Building for the following monthly fees: Level I ranges from \$274 to \$335 and Level II ranges from \$517 to \$669.

Doylestown

Doylestown is located at 200 Veterans Lane in Doylestown, Bucks County, Pennsylvania on land purchased by Doylestown in 1985. In 2005, Doylestown completed a repositioning project which included additional common space and amenities, the addition of balconies to the 7th and 8th floors, and other miscellaneous renovations and capital improvements. Doylestown currently consists of the following:

- 219 independent living apartment units (the “Doylestown ILUs”); and
- 60 skilled nursing beds (the “Doylestown Nursing Beds”).

Doylestown does not have any dedicated personal care units; however, it is licensed and permitted to provide personal care services for up to 75 residents in the Doylestown ILUs.

Common areas and amenities include a dining room, bistro, fitness center and exercise studio, indoor rooftop walking track, swimming pool, rooftop patio, library, fireplace lounge, living room, game room, computer and activities center, medication chapel, and onsite parking. The total square footage of Doylestown approximates 247,000 square feet.

The following table summarizes the type, number, approximate square footage, entrance fees, monthly fees and/or daily fees for the units at Doylestown.

Table 3 Doylestown Unit Configuration				
Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units⁽³⁾</i>				
Studio	76	432	\$1,593	\$77,500
One-Bedroom	103	564	\$1,933 – 2,675	\$129,500 – 179,500
Two-Bedroom	40	834 – 1,092	\$2,675 – 2,813	\$179,500 – 204,000
Total/Weighted Average – Independent	219	591	\$2,138	\$134,582
<i>Nursing Beds</i>			<u>Daily Fee</u>	
Private	1	312	\$356	–
Semi-Private	59	312	\$327	–
Total/Weighted Average – Nursing	60	312	\$327	–
Total Units/Beds	279			–

Source: Management

(1) Entrance fees and monthly fees are effective as of January 1, 2017.

(2) The second person entrance fee in the Doylestown ILUs ranges from \$10,000 to \$20,000. The second person monthly fee in the Doylestown ILUs ranges from \$757 to \$859.

(3) Additional monthly fees for residents receiving personal care services in the Doylestown ILUs range from \$1,734 to \$3,285, depending on additional care needed and whether a medical component of assistance is needed.

Upper Moreland

Upper Moreland is located at 2815 Byberry Road, Hatboro, Montgomery County, Pennsylvania. WEL purchased the land and buildings (which originally included an assisted living facility and adult day care center) on which Upper Moreland is located in 1995. Upper Moreland added 24 cottages in 1997. In 2005, Upper Moreland completed a repositioning project which included the construction of 36 new independent living units, an enclosed veranda in the garden and other miscellaneous and capital improvements. Upper Moreland currently consists of the following:

- 112 independent living apartments and 38 independent living cottages (the “Upper Moreland ILUs”); and
- 33 personal care units (the “Upper Moreland PCUs”).

Common areas and amenities include a dining room, gift shop, entertainment center, atrium conservatory, chapel, fitness center, hair salon/barber services, library and computer center, and billiards room. The total square footage of Upper Moreland approximates 190,000 square feet.

The following table summarizes the type, number, approximate square footage, entrance fees, monthly fees and/or daily fees for the units at Upper Moreland.

Table 4 Upper Moreland Unit Configuration				
Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studio	2	390	\$1,222	\$72,500
One-Bedroom	60	631 – 706	\$1,478 – 1,530	\$104,000 – 128,500
Two-Bedroom	50	1,048	\$2,226	\$158,000
Cottage	38	995 – 1,300	\$1,041 – 1,138	\$166,000 – 229,500
Total/Weighted Average – Independent	150	913	\$1,636	\$150,230
<i>Personal Care Units⁽³⁾</i>				
Private Suite	33	390	\$4,471 – 5,110	–
Total/Weighted Average – Personal Care	33	390	\$4,791	–
Total Units/Beds	183			–

Source: Management

(1) Entrance fees and monthly fees are effective as of January 1, 2017.

(2) The second person entrance fee for the Upper Moreland ILUs ranges from \$10,000 to \$20,000. The second person monthly fee for the Upper Moreland ILUs ranges from \$69 to \$517.

(3) Two additional levels of care are available in the Upper Moreland PCUs for the following monthly fees: Level I ranges from \$517 to \$639 and Level II ranges from \$1,095 to \$1,156.

Stapeley

Stapeley is located at 6300 Greene Street, Philadelphia, Philadelphia County, Pennsylvania. Stapeley is a Quaker facility which dates back to 1905, with additions being added in the 1970s and 1980s. Stapeley completed a major repositioning effort in 2014 which included remodeling the skilled nursing unit, dining rooms, campus wide landscape cleanup and other miscellaneous and capital improvements. Stapeley currently consists of the following:

- 43 independent living apartment units (the “Stapeley ILUs”);
- 46 personal care units (the “Stapeley PCUs”);
- 21 memory care beds (the “Stapeley MCUs”); and
- 120 skilled nursing beds (the “Stapeley Nursing Beds”).

Common areas and amenities include a dining room, library, lounge areas, media/all purpose room, and onsite parking. The total square footage of Stapeley approximates 176,000 square feet.

The following table summarizes the type, number, approximate square footage, entrance fees, monthly fees and/or daily fees for the units at Stapeley.

Table 5				
Stapeley Unit Configuration				
Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾⁽²⁾
<i>Independent Living Units</i>				
Studio	19	300	\$2,298 – 2,517	\$30,000 – 37,000
One-Bedroom	14	550	\$2,792	\$68,000
Two-Bedroom	10	1,092	\$3,629	\$110,000
Total/Weighted Average – Independent	43	566	\$2,817	\$62,523
<i>Personal Care Units⁽³⁾</i>				
Small	24	220 – 340	\$4,263	–
Medium	8	341 – 399	\$4,534	–
Large	5	400 – 500	\$4,841	–
Suite	9	501 – 775	\$5,078	–
Total/Weighted Average – Personal Care	46	355	\$4,532	–
<i>Memory Care Units^{(4),(5)}</i>				
Private	5	330	\$5,353	–
Semi-Private	16	430	\$4,258	–
Total/Weighted Average – Memory Care	21	406	\$4,519	
<i>Nursing Beds</i>			<u>Daily Fee</u>	
Private	2	200	\$407	–
Semi-Private	118	290	\$353	–
Total/Weighted Average – Nursing	120	289	\$354	–
Total Units/Beds	230			

Source: Management

(1) Entrance fees and monthly fees are effective as of January 1, 2017.

(2) The second person entrance fee for the Stapeley ILUs is \$10,000. The second person monthly fee for the Stapeley ILUs ranges from \$1,072 to \$1,074.

(3) A one-time community fee of \$5,100 is required upon move-in into the Stapeley PCUs.

(4) The second person monthly fee for the large and suite Stapeley PCUs ranges from \$1,137 to \$1,139.

(5) Semi-private accommodations are available in the Stapeley PCUs for \$2,937 per month per person.

See Independent Accountants’ Examination Report

Main Line

Main Line is located at 100 Halcyon Drive, Media, Delaware County, Pennsylvania. Main Line opened in 1979 under a previous owner and was purchased by WEL in 2015. Main Line currently consists of the following:

- 163 independent living apartment units (the “Main Line ILUs”);
- 30 personal care units (the “Main Line PCUs”); and
- 60 skilled nursing beds (the “Main Line Nursing Beds”).

Common areas and amenities include three restaurants, fitness center, juice bar café, swimming pool, exercise studio, art studio, movie theater, library with computer center, card room, and game room. The total square footage of Main Line approximates 290,000 square feet.

The following table summarizes the type, number, approximate square footage, entrance fees, monthly fees and/or daily fees for the units at Main Line.

Table 6				
Main Line Unit Configuration				
Unit Type	Number of Units	Square Footage	Monthly Fees⁽¹⁾⁽²⁾	Entrance Fee 0% Refundable⁽¹⁾
<i>Independent Living Units</i>				
Studio	25	500	\$1,471	\$54,000 – 104,000
One-Bedroom	99	625 – 981	\$1,839 – 3,252	\$67,000 – 210,000
Two-Bedroom	39	1,044 – 1,250	\$2,574 – 3,252	\$126,000 – 244,000
Total/Weighted Average – Independent	163	839	\$2,469	\$140,500
<i>Personal Care Units⁽³⁾</i>				
Private	30	303	\$4,593	–
Total/Weighted Average – Personal Care	30	303	\$4,593	–
<i>Nursing Beds</i>			<u>Daily Fee</u>	
Private	40	239	\$339 – 361	–
Semi-Private	20	325	\$321	–
Total/Weighted Average – Nursing	60	268	\$340	–
Total Units/Beds	253			–

Source: Management

(1) Entrance fees and monthly fees are effective as of January 1, 2017.

(2) The second person monthly fee for the Main Line ILUs ranges from \$758 to \$797.

(3) Two additional levels of care are available in the Main Line PCUs for the following monthly fees: Level I is \$517 and Level II is \$973.

Management has plans for a \$15 million renovation project at Main Line (the “Main Line Renovation”), to include the phased renovation of the Main Line Nursing Beds and renovation of common spaces, including the main entrance, hallways, lighting, HVAC, dining room, auditorium, and both indoor and outdoor resident activity space. For the purpose of Management’s forecast, it has been assumed that the Main Line Project is to occur over an 18-month period during fiscal years 2017 and 2018 and that the renovation of the Main Line Nursing Beds is to be phased in a manner that would not disrupt occupancy.

The Pennypack ILUs, Doylestown ILUs, Upper Moreland ILUs, Stapeley ILUs and Main Line ILUs are collectively referred to as the “Independent Living Units.” The Pennypack PCUs, the Upper Moreland PCUs, the Stapeley PCUs, the Stapeley MCUs and the Main Line PCUs are collectively referred to as the “Personal Care Units”. The Pennypack Nursing Beds, Doylestown Nursing Beds, Stapeley Nursing Beds and Main Line Nursing Beds are collectively referred to as the “Nursing Beds.”

Summary of Financing

Management intends to refund the outstanding The Borough of Langhorne Manor Higher Education and Health Authority (Commonwealth of Pennsylvania) Retirement Communities Variable Rate Demand Revenue Bonds Series 2005 (Wesley Enhanced Living Obligated Group) (the “Series 2005 Bonds - WEL Obligated Group”); the outstanding Philadelphia Authority for Industrial Development Revenue Refunding Bonds (Stapeley in Germantown Project) Series 2005 (the “Series 2005 Bonds - Stapeley”); the outstanding Philadelphia Authority for Industrial Development (Commonwealth of Pennsylvania) Retirement Communities Variable Rate Demand Revenue Bonds (Evangelical Manor Project) Series 2008 (the “Series 2008 Bonds - Pennypack”); and the outstanding Philadelphia Authority for Industrial Development Revenue Bonds (Stapeley Hall – Wesley Enhanced Living Obligated Group) Series 2011 (the “Series 2011 Bonds - Stapeley”). In addition, Management intends to refinance the outstanding bank loan with Bryn Mawr Trust Company (the “2009 Bank Loan – Main Line”) and the outstanding bank loan with several regional banks (the “2011 Term Loan – Stapeley”), and to fund the cost of the Main Line Renovation, future capital expenditures at the Communities, future refundable entrance fees, a debt service reserve fund, a swap termination fee, and payment of certain outstanding accounts payable.

The total financial requirements for refunding the Series 2005 Bonds – WEL Obligated Group, Series 2005 Bonds – Stapeley, Series 2008 Bonds – Pennypack, and Series 2011 Bonds – Stapeley, refinancing the 2009 Bank Loan – Main Line and 2011 Term Loan – Stapeley, and funding the costs of the Main Line Renovation, future capital expenditures at the Communities, future entrance fee refunds, the swap termination fee, and payment of certain outstanding accounts payable are assumed to approximate \$130,526,000. The Series 2005 Bonds - WEL Obligated Group, Series 2005 Bonds – Stapeley, Series 2008 Bonds – Pennypack, Series 2011 Bonds – Stapeley, 2009 Bank Loan – Main Line, and 2011 Term Loan – Stapeley are collectively referred to as the “Existing Debt”.

The Corporation proposes to fund these financial requirements primarily through the issuance of Philadelphia Authority for Industrial Development Senior Living Facility Revenue Bonds (Wesley Enhanced Living Obligated Group), Series 2017 (the “Series 2017 Bonds”) in the amount of \$126,615,000 and existing funds held by the trustee related to the Existing Debt to be refunded.

Management has assumed the following sources and uses of funds in preparing its financial forecast based on information provided by the Corporation's underwriter, RBC Capital Markets (the "Underwriter"):

Table 7 Sources and Uses of Funds (In Thousands)	
Sources of Funds:	
Series 2017A Bonds ⁽¹⁾	\$ 100,295
Series 2017B Bonds ⁽¹⁾	26,320
Series 2017 Bonds	126,615
Trustee held funds – Existing Debt ⁽²⁾	3,911
Total Sources of Funds	\$ 130,526
Uses of Funds:	
Main Line Renovation ⁽³⁾	\$ 15,000
Future capital expenditures ⁽⁴⁾	15,000
Accounts payable ⁽⁵⁾	2,000
Swap termination fee ⁽⁶⁾	2,616
Refund reserve ⁽⁷⁾	12,600
Repayment of Existing Debt ⁽⁸⁾	72,263
Debt Service Reserve Fund – Series 2017 Bonds ⁽⁹⁾	8,267
Cost of Issuance and Other Costs ⁽¹⁰⁾	2,780
Total Uses of Funds	\$ 130,526

Source: Management and the Underwriter

- (1) According to the Underwriter, the following series of bonds are assumed to be issued:
 - \$100,295,000 of rated, non-investment grade, tax-exempt fixed rate bonds (the "Series 2017A Bonds"); and
 - \$26,320,000 of rated, non-investment grade, taxable fixed rate bonds (the "Series 2017B Bonds").
- (2) Trustee held funds associated with the Existing Debt of approximately \$3,911,000 are assumed to be available upon closing of the Series 2017 Bonds.
- (3) Construction and other costs related to the the Main Line Renovation are assumed to approximate \$15,000,000.
- (4) Proceeds from the Series 2017 Bonds are assumed to be used to fund approximately \$15,000,000 of future capital expenditures at the Communities.
- (5) Approximately \$2,000,000 of proceeds from the Series 2017 Bonds are assumed to be used to fund outstanding accounts payable for the Obligated Group.
- (6) Payment of a swap termination fee is assumed to approximate \$2,616,000.
- (7) Proceeds from the Series 2017 Bonds are assumed to be used to fund approximately \$12,600,000 of future entrance fee refunds at the Communities.
- (8) Outstanding principal of \$72,190,000 of the Existing Debt, plus net accrued interest of approximately \$73,000, is assumed to be paid with proceeds from the Series 2017 Bonds.
- (9) The deposits to the Debt Service Reserve Fund for the Series 2017 Bonds are assumed to approximate \$8,267,000.
- (10) Costs of issuance related to the Series 2017 Bonds are assumed to approximate \$2,780,000 and include the Underwriter's discount, accounting fees, legal fees, the feasibility consulting fee, the bond issuance fees, the cost for the printing of the preliminary official statement and official statement, and other miscellaneous financing costs.

Description of the Residency Agreements

Independent Living

In order to reserve an Independent Living Unit, a prospective resident shall pay a reservation fee in the amount of \$1,000 (the “Reservation Fee”) at the time of submitting an application for admission and reserving an Independent Living Unit. The Reservation Fee is to be credited toward the priority deposit, which is equal to ten percent of the entrance fee (the “Entrance Fee Deposit”). The Entrance Fee Deposit is required upon signing a residency agreement (the “Residency Agreement”). The balance of the entrance fee is due upon occupancy (the “Occupancy Date”).

The Residency Agreement is a contract under which the Corporation is obligated, upon payment by the resident of an entrance fee and ongoing payments of a monthly fee to the Corporation, to provide certain services to the resident.

To be accepted for admission to an Independent Living Unit, a prospective resident must be at least 62 years of age at the time residency is established, have financial assets adequate to pay the entrance fee and must have sufficient income to meet the anticipated monthly fee and personal expenses not provided under the Residency Agreement.

Payment of the monthly fee entitles the resident to occupy the selected Independent Living Unit and receive the following services and amenities:

- Property taxes;
- Maintenance and repairs of all common areas, grounds and equipment;
- Limited scheduled local transportation;
- Planned recreational, educational and social activities;
- 24-hour emergency response call system;
- Use of the recreational and commons areas; and,
- Priority access to the Personal Care Units and Nursing Beds.

In addition, other services included in the monthly fees are noted in the following table.

Table 8
Services included in the Independent Living Residency Agreements

Community	Number of Meals	Utilities	Housekeeping	Flat Linen Service
Pennypack	1/day	Electricity, water/sewage	Bi-weekly	Not included
Doylestown	1/day	Electricity, basic/standard cable, water/sewage	1x/week	1x/week
Upper Moreland	15/month	Electricity, water/sewage	Bi-weekly for apts; 2x/year for cottages	Not included
Stapeley	1/day	Electricity, basic/standard cable, water/sewage	Bi-weekly	Not included
Main Line	21/month	Electricity, basic/standard cable, water/sewage	Bi-weekly	1x/week

Source: Management

Other miscellaneous services are available at an additional charge and not included in the monthly fee.

Under the Residency Agreement, residents receive priority access to the Personal Care Units and/or Nursing Beds. The resident would sign a new admission agreement upon transferring to the Personal Care Units and/or Nursing Beds. No refund of the entrance fee is paid to the transferring resident until termination of the Residency Agreement and the Independent Living Unit vacated is occupied by another resident.

Entrance Fee Refundability

Two entrance fee refund options (the “Refund Options”) are available at the Communities. The Refund Options and related amortization schedules are as follows:

Refund Options	Amortization Schedule
Traditional Amortizing Plan	The entrance fee amortizes two percent per month for a period of 50 months from the Occupancy Date. After 50 months, the entrance fee is no longer refundable.
75% Refund Plan	Twenty-five percent (25%) of the entrance fee is amortized at eight percent (8%) per month over a period of twelve and a half months from the Occupancy Date. The remaining 75 percent is refundable.

Source: Management

For the purpose of Management’s forecast, all new Residents are assumed to select the Traditional Amortizing Plan during the forecast period. The following table summarizes the Refund Options selected by Residents of the Communities as of June 30, 2017.

Table 9
Utilization of Residency Agreement Options as of June 30, 2017

	Pennypack		Doylestown		Upper Moreland		Stapeley		Main Line		Total	
Plan Type	#	%	#	%	#	%	#	%	#	%	#	%
<u>Entrance Fee Plan</u>												
Traditional Amortizing Plan	82	100%	198	95%	144	92%	53	100%	134	85%	611	93%
75% Refund Plan	–	0%	11	5%	13	8%	–	0%	24	15%	48	7%
Total	82	100%	209	100%	157	100%	53	100%	158	100%	659	100%

Source: Management

Termination of the Residency Agreement during the Rescission Period

A prospective Resident may terminate the Residency Agreement within seven days of execution (the “Rescission Period”) by providing a notice of right to rescind to the Corporation. All payments are to be refunded in full without interest.

Termination of the Residency Agreement Prior to Occupancy Date

After the Rescission Period, a Resident may terminate the Residency Agreement prior to the Occupancy Date by delivering a written notice to the Corporation. Entrance fee payments are refunded within 60 days less the reservation fee and any amounts deducted to cover expenses incurred by the Corporation at the request of the Resident.

Termination of the Residency Agreement after Occupancy Date

A Resident may terminate the Residency Agreement after the Occupancy Date by delivering a written notice to the Corporation at least 60 days prior to termination and upon vacating the Independent Living Unit. Entrance fee payments are refunded, less the reservation fee and any amounts deducted to cover expenses incurred by the Corporation at the request of the Resident, no later than 60 days of the Corporation receiving an entrance fee for the vacated Independent Living Unit from a replacement resident.

Personal Care

Residents in the Personal Care Units are required to sign an admission agreement (the “PC Admission Agreement”) prior to assuming occupancy (the “PC Resident”). PC Residents are also expected to pay a one-time non-refundable community fee and an ongoing monthly fee.

In general, the Communities provide three levels of personal care service depending on the PC Resident’s care needs by utilizing a level of care assessment tool.

Payment of the monthly fee entitles the PC Resident to occupy the respective unit and receive the following basic services and amenities:

- Three meals per day;
- Assistance with or supervision in activities of daily living (“ADL”) and or instrumental activities of daily living (“IADL”);
- Private accommodations;
- Blankets, pillows, bed linens, towels, wash cloths and soap;
- Laundering of linens and towels; and,
- Certain activity programs and social services.

Additional charges for personal services and/or supplies may be assessed.

The level of care required for the PC Resident is initially determined and periodically reevaluated by the Corporation. The services provided in each level of care are as follows:

Service Level	Description of Services
Level A	Medication management to include: ordering/checking; assistance/administering; light housekeeping; bed making; daily trash removal; linen service; activities of resident choice; scheduling healthcare; diagnostic studies; and responsible for doctor’s orders.
Level B	Includes Level A plus assistance with showering/bathing; dressing assistance; grooming assistance; cueing/reminding; transport to meals and activities if required; oxygen maintenance; and diabetic management.
Level C	Includes Level A and B plus two hours of care within a 24 hour period. PC Residents under Level C may or may not be capable of evacuating a building in emergency situations.

Source: Management

The PC Admission Agreement may be terminated by the PC Resident upon 30 days written notice.

Nursing

Residents in the Nursing Beds are required to sign an admission agreement (the “Nursing Admission Agreement”) prior to assuming occupancy (the “Nursing Resident”).

Residents of the Nursing Beds are to receive basic room and board, general nursing care, three meals per day, blankets, bed linens, towels and wash clothes, laundering of linens and towels, housekeeping services, and, activity programs and social services established by the Communities. Additional charges for personal supplies and/or services may be assessed. Rehabilitation services such as customized physical, occupational and speech therapies are also provided to residents, as needed.

The Nursing Admission Agreement may be terminated by the Nursing Resident upon 30 days written notice.

Regulatory

Continuing Care Regulatory Requirements

The operation of a continuing care retirement community (“CCRC”) in Pennsylvania 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 (the “Continuing Care Act”). The Continuing Care Act requires, among other things, that any provider of continuing care services such as the Corporation (i) obtain a certificate of authority from the Pennsylvania Insurance Commissioner to operate a CCRC (“Certificate of Authority”), (ii) provide to each prospective resident a disclosure statement setting forth material information with respect to such provider and the operation of the CCRC to be operated by such provider, (iii) include certain provisions in agreements for CCRC residents and (iv) set aside reserves in specified amounts to ensure that the Corporation 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 CCRC encounters financial difficulties.

The Continuing Care Act sets forth certain provisions that are required to be contained in CCRC agreements, such as the Residency Agreement entered into by the Corporation with prospective residents of independent living residences at a community. These provisions relate generally to the disclosure of information to the residents regarding the terms of such agreements, particularly with respect to services offered under the agreement and termination and refund provisions. By the terms of the Continuing Care Act, the provisions thereof intended for the benefit or protection of a resident may not be waived by the resident.

Personal Care Regulatory Requirements

The Department of Public Welfare (the “DPW”) is responsible for the licensure of personal care homes, assisted living residences (“ALRs”) or dually licensed personal care/ALRs under 35 Pa. Code §1001 et seq. and 55 Pa. Code §2600 et seq. The aforementioned facilities are subject to periodic inspections and annual evaluation to determine compliance and applicable statutory and regulatory requirements. Failure to comply with current or future regulatory requirements could result in the imposition of various remedies including fines, denial of payment or revocation of licensure.

Residents of personal care homes are entitled to numerous rights and protections, which are enforced jointly by the Pennsylvania Department of Aging (the “DOA”) and the DPW. The transfer or discharge of personal care home residents is permitted only for limited reasons, including a medical reason, the welfare of the resident or other residents, non-payment for stay or the cessation of operations by the personal care home.

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

homes. However, the level of medical care delivered in ALRs is intended to be more intensive than delivered in personal care homes.

The DPW's final ALR regulations were published in July 2010. The regulations, which became effective in January 2011, establish minimum standards for the residential space, building, equipment, operations, care programs and services, staffing qualification and training required for ALR licensure. The legislation was passed with the intention of creating a less costly alternative to nursing home care for individuals who need the availability of 24-hour support.

Nursing Regulatory Requirements

The Pennsylvania Department of Health ("DOH") defines a nursing home as a facility licensed by the Division of Nursing Care Facilities that provides skilled nursing care. The DOH licenses nursing homes under 28 Pa. Code §201 *et. seq.* and is subject to laws and regulations relating, among other things, to the adequacy of the physical plant and equipment, standards of care and operational requirements. To determine compliance with such laws and regulations, DOH routinely conducts annual and/or other periodic unannounced inspections of skilled nursing facilities. Failure to comply with current or future regulatory requirements could result in the imposition of various remedies including fines, denial of payment, or revocation of licensure.

Licenses for skilled nursing facilities must be reissued annually and are not transferrable. The Secretary of the DOH (the "Secretary") may refuse to renew a license or suspend or revoke an existing license to operate a skilled nursing facility. In addition, the Secretary may seek to appoint a receiver for a nursing home if, among other things, a situation exists which presents an imminent danger of death or serious harm to the residents of such nursing home.

The residents of nursing homes are entitled to rights and protections, which are enforced jointly by the DOA and the DOH. The transfer or discharge of a resident of a skilled nursing facility is permitted only for limited reasons, including a medical reason, the welfare of the resident or other residents, non-payment for a stay or the cessation of operations by the facility. Other restrictions on the facility and resident rights exist related to Medicaid residents receiving services in Medicaid-certified facilities.

Industry Overview

There is a broad array of housing options available to seniors, from staying in their own home to specialized facilities that provide 24 hour nursing care as follows:

NORCs - Naturally Occurring Retirement Communities (NORCs) include multi-unit buildings which were originally planned for people of all ages, but over time have evolved to include a significant proportion of residents aged 60 and over. NORCs enable seniors to stay in their own homes and access local services, volunteer programs and social activities.

Independent Living - Independent living communities are exclusively for seniors and include those that may be apartments, condominiums and/or free-standing homes where residents have access to on-site amenities and services that typically include 30 meals per month, weekly housekeeping, utilities, scheduled transportation, activities programs, emergency call system in each residence, 24-hour security and maintenance of grounds. Due to the recent trend of the older, frailer seniors moving into a senior living establishment, the care for an independent living resident may be similar to that of one in need of assistance.

Assisted Living Facilities – Assisted living facilities are also known as residential care, board and care, adult care homes, adult group homes, alternative care facilities, or sheltered housing. In general, assisted living is a housing option for those who need help with some activities of daily living, including minor help with medications. Costs tend to vary according to the level of daily help required, although staff is available 24 hours a day. Some assisted living facilities provide apartment-style living with scaled-down kitchens, while others provide rooms. Most facilities have a group dining area and common areas for social and recreational activities.

Memory Care Facilities – Memory care facilities provide care for seniors with neuro-cognitive disorders such as dementia, Alzheimer's, Parkinson's and other types of memory problems. Also called special care units (SCUs), memory care units usually provide 24-hour supervised care within a separate wing or floor of a residential facility. A memory care environment is designed for persons with a level of impairment making it unsafe to continue to stay at home, but who do not require the intensive care of a skilled nursing facility. Memory care allows a person experiencing memory loss to maintain a level of independence while relying on the safety and security of being in a residential facility with a professional staff.

Nursing care – Nursing care is generally the highest level of care for older adults outside of a hospital. While they do provide assistance in activities of daily living, they differ from other senior housing in that they also provide a high level of medical care 24 hours per day. A licensed physician supervises each resident's care and a nurse or other medical professional is almost always on the premises. Skilled nursing care and medical professionals such as occupational or physical therapists are also available.

Continuing Care Retirement Communities– CCRCs are facilities that include independent living, assisted living, and nursing home care in one location, so seniors can stay in the same general area as their housing needs change over time. There is normally the cost of buying a unit in the community as well as monthly fees that increase as higher levels of care are required. It also can mean spouses can still be very close to one another even if one requires a higher level of care.

Characteristics of the Market Area

Assumptions for the future utilization of each Community were developed by Management based on analysis of the following factors that may affect the demand for the Communities' accommodations and services:

- General area analysis;
- Demographic characteristics market areas;
- Aggregate penetration rates and stabilized occupancy for independent living and assisted living; and,
- Profile of the competitive environment in the market areas.

Each of the above factors and the resulting assumed utilization of the Communities are described in the following sections.

General Area Analysis

The Communities are located within the following counties of the greater Philadelphia region:

- Pennypack – Philadelphia County, Pennsylvania
- Doylestown – Bucks County, Pennsylvania
- Upper Moreland – Montgomery County, Pennsylvania
- Stapeley – Philadelphia County, Pennsylvania
- Main Line – Delaware County, Pennsylvania

Highways

Major highways serving the greater Philadelphia region include Interstate 95, which is the main highway that runs north and south through Philadelphia. Other major highways include Interstate 76 (also known as the Pennsylvania Turnpike and Schuylkill Expressway), Interstate 276 and Interstate 476, which are extensions of the Pennsylvania Turnpike.

Public Transportation

The Southeastern Pennsylvania Transportation Authority ("SEPTA") is the area's primary form of public transportation which includes bus, regional rail, and trolley lines. Daily ridership averages around 769,000 trips and monthly averages around two million trips.

Airports

The Philadelphia International Airport ("PHL") serves the Greater Philadelphia region. The airport is serviced by 25 airline carriers, including American Airlines, Southwest Airlines, Delta Airlines, and United Airlines. There are 444 daily flight departures, including 36 flights to international locations, serving 25 million passengers yearly.

Hospitals and Medical Centers

Philadelphia has many hospitals that serve the greater Philadelphia region including the Children’s Hospital of Philadelphia, Hahnemann University Hospital, University of Pennsylvania Medical Center, Temple University Hospital and Thomas Jefferson University Hospital.

Shopping/Recreation/ Culture

Philadelphia has many historical landmarks including the National Constitution Center, the Betsy Ross House, and the Independence National Historical Park, which includes the Liberty Bell and Independence Hall, where the Declaration of Independence was created and signed. Philadelphia is also home to famous sites such as the Rocky Statue and Rocky Steps and cultural venues such as the Philadelphia Museum of Art.

Philadelphia is home to five major sports teams including the Eagles (football), Phillies (baseball), 76ers (basketball), Flyers (hockey), and the Union (soccer). These sports teams play in major venues that include the Wells Fargo Center, Lincoln Financial Field, Citizens Bank Park, and Wachovia Spectrum.

The greater Philadelphia region is home to the King of Prussia Mall (the “KOP Mall”). The KOP Mall is home to over 400 stores and restaurants and easily accessible from many areas in the region via the Pennsylvania Turnpike.

Unemployment Trends

The unemployment trends for Bucks County, Delaware County, Montgomery County, Philadelphia County, the state of Pennsylvania, and the United States are shown in the following table.

Table 10			
Unemployment Trends			
	2015	2016	2017⁽¹⁾
Bucks County	4.7%	4.6%	4.3%
Delaware County	4.9%	4.9%	4.5%
Montgomery County	4.2%	4.2%	3.9%
Philadelphia County	7.1%	6.8%	6.1%
State of Pennsylvania	5.3%	5.4%	5.1%
United States	5.3%	4.9%	4.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics Data

(1) Unemployment data for 2017 for the Bucks County, Delaware County, Montgomery County, Philadelphia County, and State of Pennsylvania is through April 2017. Unemployment data for 2017 for the United States is through May 2017.

Demographics

The age distribution of the population in a geographic area is a key factor in the determination of an area's retirement housing needs. The U.S. Census Bureau has compiled demographic data based on the 2010 census figures. The Nielsen Company, a firm that specializes in the analysis of demographic data, has extrapolated the 2010 census information to derive the estimated 2017 figures and forecasted statistics for 2022. The following table presents population age 75 to 84, age 85 and above, age 75 and above and the anticipated average annual compounded growth rates for the period between 2017 and 2022 in Bucks, Delaware, Montgomery and Philadelphia Counties, the PMAs, the Commonwealth of Pennsylvania ("Pennsylvania"), and the United States.

Table 11
Estimated and Projected Population for Bucks, Delaware, Montgomery and Philadelphia Counties,
Pennsylvania and United States Populations

Primary Market Area	2017 Population (Estimated)	2022 Population (Projected)	CAGR⁽¹⁾ 2017 – 2022
<u>Bucks County, PA</u>			
Total Population	628,165	632,273	0.1%
Age 75 to 84	31,941	33,976	1.2%
Age 85 Plus	16,391	17,236	1.0%
Total 75 Plus	48,332	51,212	1.2%
<u>Delaware County, PA</u>			
Total Population	565,570	571,599	0.2%
Age 75 to 84	25,918	28,547	2.0%
Age 85 Plus	15,273	15,452	0.2%
Total 75 Plus	41,191	43,999	1.3%
<u>Montgomery County, PA</u>			
Total Population	824,076	839,618	0.4%
Age 75 to 84	41,666	44,630	1.4%
Age 85 Plus	23,861	25,193	1.1%
Total 75 Plus	65,527	69,823	1.3%
<u>Philadelphia County, PA</u>			
Total Population	1,577,265	1,608,752	0.4%
Age 75 to 84	60,981	69,962	2.8%
Age 85 Plus	28,859	28,477	-0.3%
Total 75 Plus	89,840	98,439	1.8%
<u>Pennsylvania</u>			
Total Population	12,822,858	12,927,149	0.2%
Age 75 to 84	664,766	705,020	1.2%
Age 85 Plus	339,397	354,508	0.9%
Total 75 Plus	1,004,163	1,059,528	1.1%
<u>United States</u>			
Total Population	325,139,271	337,393,057	0.7%
Age 75 to 84	14,481,874	16,651,167	2.8%
Age 85 Plus	6,327,357	6,688,544	1.1%
Total 75 Plus	20,809,231	23,339,711	2.3%

Source: The Nielsen Company

(1) Compound Annual Growth Rate.

Aggregate Penetration Rates and Stabilized Occupancy Rates

Penetration rates are one indication of the market, and must be considered in conjunction with other factors. Occupancy rate of existing communities is an important indicator of market strength, and therefore a key companion measure to penetration rates.

Aggregate Penetration Rates are used by the National Investment Center for Seniors Housing and Care (“NIC”), to compare the senior housing inventory in a market area to the number of age qualified (age 75 and above) seniors in that market area in order to allow comparisons across the top 100 Metropolitan Statistical Areas (“MSAs”) in the U.S.

In order to calculate aggregate penetration rates, NIC classifies all senior living communities into three categories (Majority Independent Living, Majority Assisted Living or Majority Skilled Nursing) based on the type of unit that comprises the majority of the total units at the community.ⁱ For each of these three categories of senior living communities, the NIC penetration rate is calculated by dividing the total inventory of properties within the respective category by the number of age 75+ households (with no income criteria).

Stabilized Occupancy Rates are calculated by NIC based on the occupancy of properties that are (a) at least two years old, or (b) if less than two years old, properties that have achieved occupancy of at least 95.0% since their opening. Separate rates are calculated for each of the three categories of senior living facilities: Majority Independent Living, Majority Assisted Living, and Majority Nursing Care.

ⁱ Majority Independent Living Properties are defined by NIC as: Properties where independent living units comprise the largest share of inventory. Majority independent living properties typically include services such as communal dining, housekeeping, transportation, emergency call, and social programming services in the monthly fee.

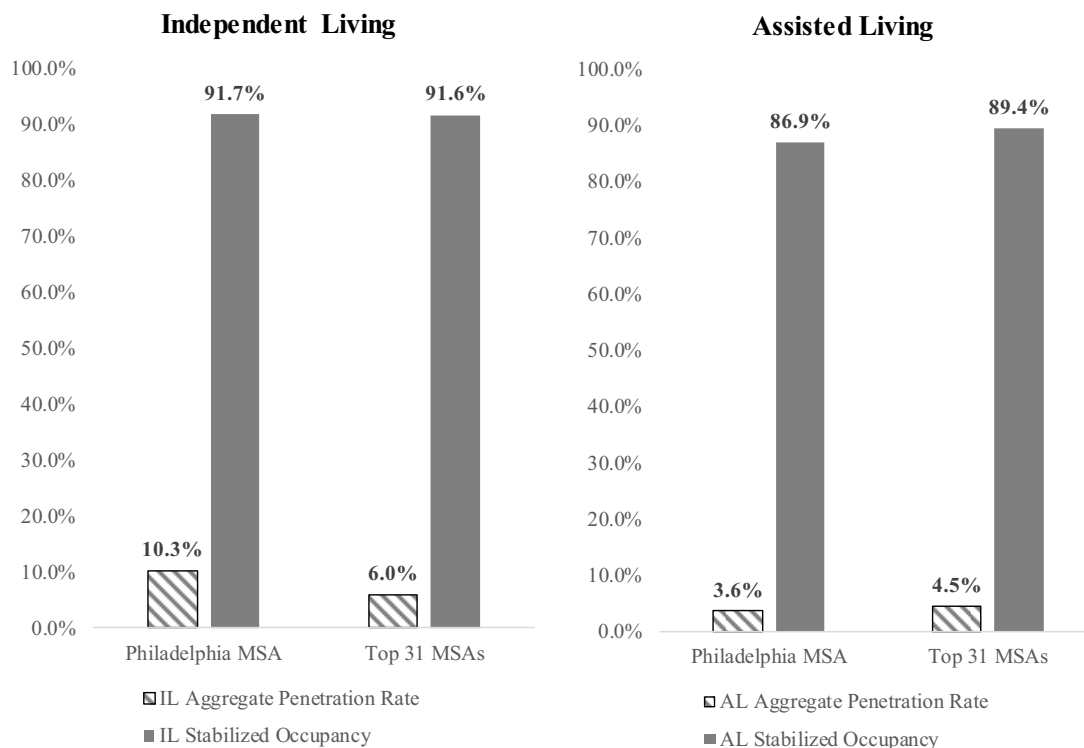
Majority Assisted Living Properties are properties where assisted living units and/or memory care units comprise the largest share of inventory. Residents receive personal care services such as assistance with bathing, dressing, eating, walking and toileting. Twenty-four hour protective oversight is provided, but 24 hour medical care is not. The majority assisted living properties included in NIC MAP are only market-rate properties where 80 percent or more of the residents are 55 years or older.

Majority Nursing Care Properties are properties where nursing care beds comprise the largest share of inventory. A majority nursing care property is generally a licensed long-term health care and residential property that serves persons who require constant medical supervision and/or who require significant physical assistance in transferring, management of continence and use of medical devices. The NIC MAP database does not include properties that are limited to sub-acute, properties limited to inpatient based, properties that are hospital based, or properties predominantly rehabilitation facilities where people come for short-term stays for nursing care.

As shown in the graph below:

- a) The Aggregate Penetration Rate in the MSP MSA for Independent Living (“IL”) is higher than the top 31 MSAs/CBSAs (by size).ⁱⁱ The IL Stabilized Occupancy Rate in the Philadelphia MSA is consistent with the top 31 MSAs/CBSAs.
- b) The Aggregate Penetration Rate in the MSP MSA for Assisted Living (“AL”) is lower than the top 31 MSAs/CBSAs (by size). The AL Stabilized Occupancy Rate in the Philadelphia MSA is lower than the top 31 MSAs/CBSAs.

Table 12
IL and AL Aggregate Penetration Rates Comparison



Source: NIC MAP, 1st Quarter 2017.

ⁱⁱ The term "Core Based Statistical Area" (CBSA) is a collective term for both metro and micro areas. A metro area contains a core urban area of 50,000 or more populations, and a micro area contains an urban core of at least 10,000 (but less than 50,000) population. Each metro or micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core. (Source: US Census).

Profile of Competitive Environment for the Communities

Comparable communities were identified by Management and include a broad range of communities, from age-restricted independent living with minimal services, to communities licensed to provide assisted living services (may include specialized memory care) as well as skilled nursing care and those that provide multiple levels care.

The living accommodations of the comparable independent living communities are primarily apartment-style (a few may also have attached or detached homes) where residents have access to on-site amenities and services, which typically (but do not always) include but are not limited to dining services, housekeeping and transportation services.

Independent living competition includes both entrance fee and rental communities. Under an entrance fee contract, the resident typically pays an upfront entrance fee and an ongoing monthly service fee in exchange for the right to lifetime occupancy of an independent living unit with certain services and amenities. Entrance fee contract types of independent living competition profiled includes the following:

Extensive or Life Care Contract ("Type A") – Under a Type A contract, a resident typically pays an upfront entrance fee and an ongoing monthly fee in exchange for the right to lifetime occupancy of an independent living unit with certain services and amenities. Residents of independent living who require higher levels of care typically continue to pay essentially the same monthly fee they had been paying for their residence.

Modified Contract ("Type B") - Under a Type B contract, the resident also generally pays an upfront entrance fee and an ongoing monthly fee for the right to lifetime occupancy of an independent living unit with certain services and amenities. However, under a Type B contract, the CCRC typically provides assisted living or skilled nursing care to residents at a discounted rate on the per diem, e.g., 20 percent (20%) discount; (b) a certain number of days per year or per lifetime, e.g., 60-90 days; or (c) a combination of the two.

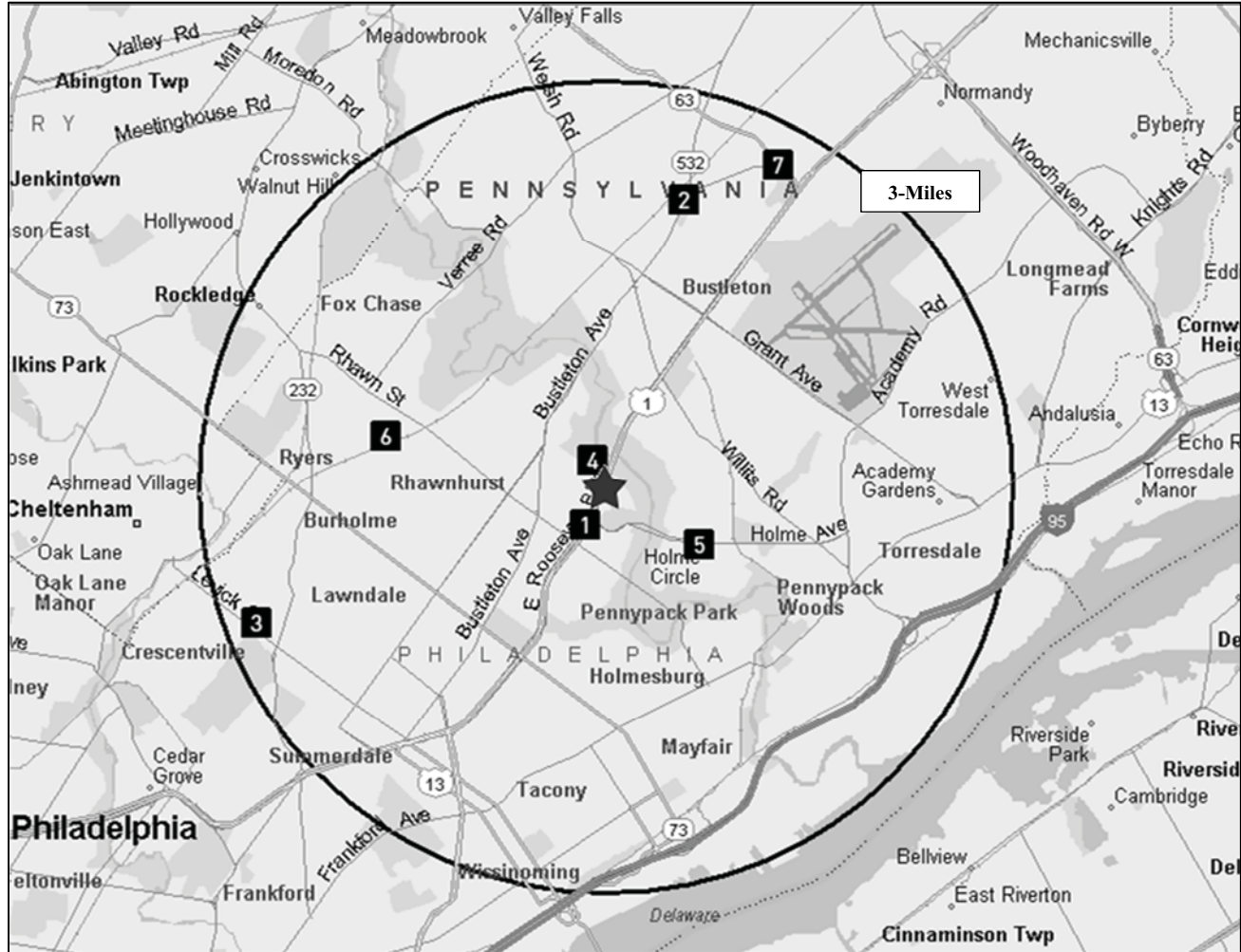
Fee-for-Service Contract ("Type C") - A Type C contract also generally requires an upfront entrance fee and an ongoing monthly fee for the right to lifetime occupancy of an independent living unit with certain services and amenities. However, under the Type C contract, residents who require assisted living or nursing care do not receive any discount on assisted living or skilled nursing services. The Communities offer a Type C contract.

Under a rental contract, the resident signs a lease for the independent living unit selected and pays for various additional services utilized (including assisted living, memory support or nursing) on a monthly or per diem basis at prevailing market rates. The resident is not required to pay an upfront entrance fee and the contract term is typically on a month-to-month basis.

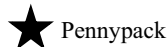
The following maps and tables provide information regarding comparable communities near the Communities. While there may be other comparable communities near the Communities with similar offerings, Management has identified the primary competitors of the Communities.

Comparable Communities – Pennypack

The following map depicts Pennypack, a three-mile radius around Pennypack and the primary competitors identified by Management.



Legend



Comparable Communities near Pennypack

CCRCs/Independent Living

- 1 – Deer Meadows
- 2 – Paul's Run
- 3 – Philadelphia Protestant Home

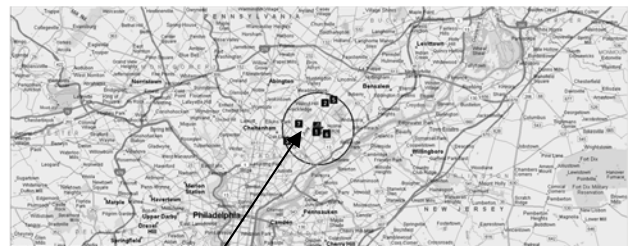
Personal Care

- 4 – Harmony Place (PC) & Angela Jane (NC) at Parke Ridge

Nursing

- 5 – Immaculate Mary Home
- 6 – Pennypack Center
- 7 – Oakwood Health & Rehabilitation Center

Regional View



Pennypack

Source: MapPoint

The following table shows Pennypack and the comparable communities identified by Management.

Table 13
Pennypack and Comparable Communities

Community	Pennypack	Deer Meadows	Paul's Run	Philadelphia Protestant Home
City/Zip Code	Philadelphia 19152	Philadelphia 19152	Philadelphia 19115	Philadelphia 19111
Distance from Pennypack (in miles)	—	0.1	3.2	4.4
Owner/Sponsor	WEL	Baptist Home of Philadelphia	Liberty Lutheran Services	Philadelphia Protestant Home
For Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit	Non-Profit
Year Opened	1930	1869	1981	1977/1986
Type of Contract	Type C	Type C	Rental	Type C
Levels of Care				
ILU	72	126	235	270
PCU	39	—	84	165
MC	—	36	—	23
Nursing Beds	120	206	120	127
Occupancy Rate				
ILU	96%	91%	97%	96%
PCU	94%	—	96%	73%
MC	—	100%	—	78%
Nursing Beds	95%	93%	98%	96%
Independent Living				
Unit Type	Studio – 2 BR	Studio – 2 BR	Studio – 2 BR	Studio – 2 BR
Size (s.f.)	325 – 1,040	310 – 936	400 – 832	275 – 950
EF Refund (shown)	0%	—	—	0%
Entrance Fee	\$7,500 – 110,000	\$2,000 – 5,000	—	\$79,000 – 135,000
Monthly Fee	\$1,218 – 2,277	\$2,920 – 4,150	\$2,414 – 4,229	\$1,272 – 1,569
Personal Care				
PCU Monthly Fee	\$2,433 – 4,715	—	\$5,411 – 6,688	\$3,450 – 6,780
Additional Care	\$274 – 669	—	\$365 – 882	—
Memory Care				
MC Monthly	—	\$5,000	—	\$6,780
Additional Care	—	—	—	—
Nursing				
Private	\$373	\$397	\$368	\$395
Semi-private	\$322	\$381	\$337	\$370

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by Dixon Hughes Goodman LLP (“DHG”) through July 2017.

Table 13 (continued)
Pennypack and Comparable Communities

Community	Harmony Place & Angela Jane at Parke Ridge	Immaculate Mary Center for Rehabilitation & Healthcare	Pennypack Center	Oakwood Health & Rehabilitation Center
City/Zip Code	Philadelphia 19152	Philadelphia 19136	Philadelphia 19111	Philadelphia 19115
Distance from Pennypack (in miles)	0.1	1.1	2.2	2.9
Owner/Sponsor	DePaul Healthcare	Center Management Group	Genesis HealthCare	Oakwood Management
For Profit/Non-Profit	For Profit	Non-Profit	For Profit	For Profit
Year Opened	2000	1977	1965	1986
Type of Contract	Rental	Rental	Rental	Rental
Levels of Care				
ILU	—	—	—	—
PCU	50	—	—	48
MC	27	—	—	—
Nursing Beds	49	296	54	148
Occupancy Rate				
ILU	—	—	—	—
PCU	94%	—	—	92%
MC	81%	—	—	—
Nursing Beds	65%	93%	81%	87%
Independent Living				
Unit Type	—	—	—	—
Size (s.f.)	—	—	—	—
EF Refund (shown)	—	—	—	—
Entrance Fee	—	—	—	—
Monthly Fee	—	—	—	—
Personal Care				
PCU Monthly Fee	\$3,090 – 6,150	—	—	\$3,400
Additional Care	Up to \$1,080	—	—	—
Memory Care				
MC Monthly	\$5,110 – 7,087	—	—	—
Additional Care	\$1,764	—	—	—
Nursing				
Private	\$750	—	—	—
Semi-private	\$700	\$310 – 400	\$380	\$255

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Notes to Table

Pennypack

- a) Pennypack was constructed in four phases between 1930 and 1980 and completed a modernization and repositioning project in 2011.
- b) Occupancy information as of May 31, 2017.
- c) The second person entrance fee in the Pennypack ILUs is \$10,000. The second person monthly fee ranges from \$552 to \$625.
- d) Semi-private rooms are available in the Manor Building of the Pennypack PCUs for \$2,768 per month per person. The second person monthly fee for the Roosevelt Building of the Pennypack PCUs is \$2,160.
- e) One additional level of care is available in the Manor Building of the Pennypack PCUs for \$304 to \$395 for a private accommodation and \$426 for a semi-private accommodation. Two additional levels of care are available in the Roosevelt Building of the Pennypack PCUs for the following monthly fees: Level I ranges from \$274 to \$335 and Level II ranges from \$517 to \$669.

Deer Meadows

- a) The second person monthly fee is \$600.
- b) Deer Meadows allows residents to age in place by providing personal care services within the independent apartments. Four levels of personal care services are offered within the independent apartments, ranging from \$835 to \$2,430 per month. The one-time community fee of \$2,000 to \$5,000 for independent living is transferrable when a resident begins using personal care services. Direct admits into personal care in independent living are required to pay a community fee of \$2,000 to \$5,000, depending on unit size. Management estimated that approximately 50 percent of independent living residents receive personal care services, though this regularly fluctuates.
- c) A community fee of \$2,000 is required upon move-in to memory care.

Paul's Run

- a) The second person monthly fee is \$575.
- b) Semi-private rooms are available in the personal care unit for \$4,773 per month per person.
- c) The second person monthly fee is 50 percent of the single occupancy fee in personal care.

Philadelphia Protestant Home

- a) In addition to the entrance fee plan, Philadelphia Protestant Home offers a rental plan with monthly service fees ranging from \$2,500 to \$3,600.

Harmony Place & Angela Jane at Parke Ridge

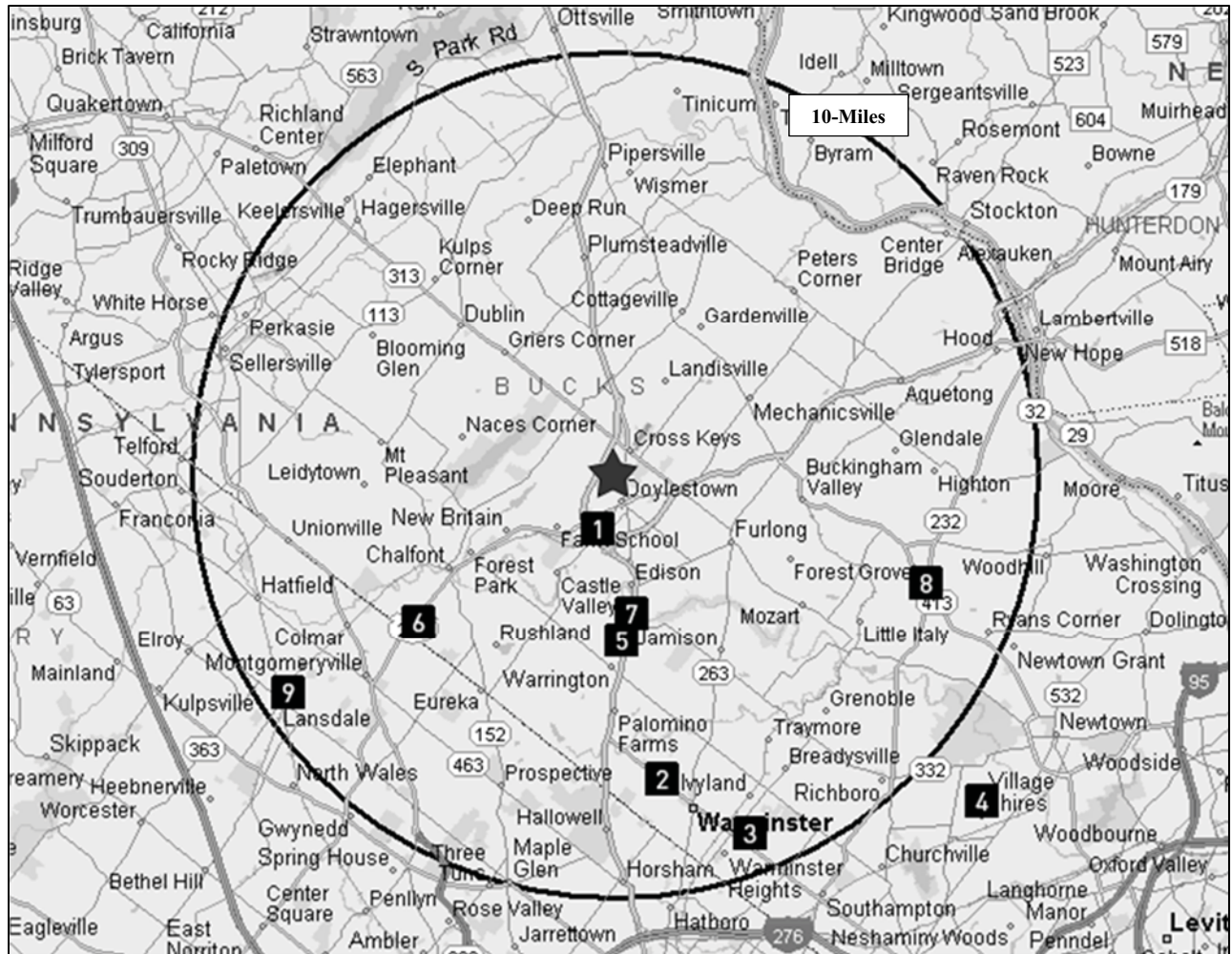
- a) Angela Jane nursing home offers subacute care. Daily fees shown for the nursing beds are in the 2016 dollars.

Oakwood Health & Rehabilitation Center

- a) A community fee and security deposit, each equal to one month's rent, are due upon move-in.
- b) Semi-private rooms are available in the personal care unit for \$2,200 per month per person.

Comparable Communities – Doylestown

The following map depicts Doylestown, a 10-mile radius around Doylestown and the primary competitors identified by Management.



Legend



Comparable Communities near Doylestown

CCRCs/Independent Living

- 1 – Pine Run
- 2 – Christ's Home Retirement Community
- 3 – Ann's Choice
- 4 – Twining Village

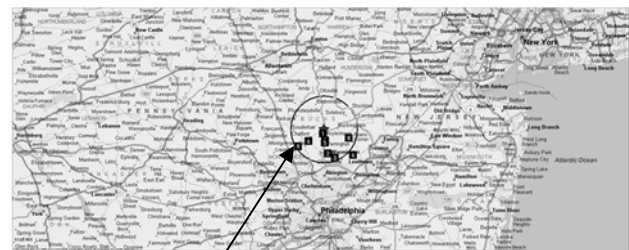
Personal Care

- 5 – The Solana Doylestown
- 6 – New Seasons at New Britain

Nursing

- 7 – Neshaminy Manor Home
- 8 – Buckingham Valley Rehabilitation & Nursing Center
- 9 – Golden Living Centers Lansdale

Regional View



Doylestown

Source: MapPoint

The following table shows Doylestown and the comparable communities identified by Management.

Table 14
Doylestown and Comparable Communities

Community	Doylestown	Pine Run	Christ's Home Retirement Community	Ann's Choice	Twining Village
City/Zip Code	Doylestown 18901	Doylestown 18901	Warminster 18974	Warminster 18974	Holland 18966
Distance from Doylestown (in miles)	—	3.0	10.1	12.0	15.0
Owner/Sponsor	WEL	Doylestown Hospital	Christ's Home	Erickson Living	Diakon Lutheran Senior Living Communities
For Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit	Non-Profit	Non-Profit
Year Opened	1981	1976	1925	2003	1978
Type of Contract	Type C	Type C	Type C	Type C	Type A / Type C
Levels of Care					
ILU	219	283	186	1,478	171
PCU	—	107	30	44	95
MC	—	—	12	—	25
Nursing Beds	60	90	48	88	82
Occupancy Rate					
ILU	93%	97%	99%	96%	95%
PCU	—	100%	100%	98%	89%
MC	—	—	83%	—	68%
Nursing Beds	98%	90%	98%	90%	55%
Independent Living					
Unit Type	Studio – 2 BR	2 BR & Villas	1 BR – Cottages	Studio – 2 BR	1 BR – Cottages
Size (s.f.)	432 – 1,092	585 – 1,840	934 – 1,843	512 – 1,882	614 – 1,256
EF Refund (shown)	0%	0%	90%	90%	0%
Entrance Fee	\$77,500 – 204,000	\$125,000 – 290,000	\$149,000 – \$429,900	\$117,000 – 526,000	\$135,000 – 325,000
Monthly Fee	\$1,593 – 2,183	\$1,015 – 4,445	\$1,301 – 2,457	\$1,819 – 2,871	\$1,950 – 4,000
Personal Care					
PCU Monthly Fee	—	\$4,867 – 7,904	\$5,700	\$4,712 – 9,941	\$5,320 – 6,080
Additional Care	—	\$790 – 1,582	—	—	\$456 – 2,280
Memory Care					
MC Monthly	—	—	\$6,900	—	\$7,600
Additional Care	—	—	—	—	—
Nursing					
Private	\$356	\$405	\$430	\$424	\$425
Semi-private	\$327	\$339	—	—	\$300

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Table 14 (continued)
Doylestown and Comparable Communities

Community	The Solana Doylestown	New Seasons at New Britain	Neshaminy Manor Home	Buckingham Valley Rehabilitation & Nursing Center	Golden Living Centers Lansdale
City/Zip Code	Warrington 18976	Chalfont 18914	Warrington 18976	Furlong 18925	Landsdale 19444
Distance from Doylestown (in miles)	5.2	7.3	5.1	8.2	11.7
Owner/Sponsor	Atria Senior Living	Five Star Senior Living	Bucks County Government	Global Healthcare Group, LLC	Diversicare
For Profit/Non-Profit	For Profit	For Profit	Non-Profit	For Profit	For Profit
Year Opened	2014	1998	2000	1966	1968
Type of Contract	Rental	Rental	Rental	Rental	Rental
Levels of Care					
ILU	—	—	—	—	—
PCU	70	93	—	—	—
MC	28	—	—	—	—
Nursing Beds	—	—	360	130	126
Occupancy Rate					
ILU	—	—	—	—	—
PCU	88%	94%	—	—	—
MC	93%	—	—	—	—
Nursing Beds	—	—	100%	94%	92%
Independent Living					
Unit Type	—	—	—	—	—
Size (s.f.)	—	—	—	—	—
EF Refund (shown)	—	—	—	—	—
Entrance Fee	—	—	—	—	—
Monthly Fee	—	—	—	—	—
Personal Care					
PCU Monthly Fee	\$5,535 – 7,545	\$3,745 – 4,486	—	—	—
Additional Care	\$400 – 2,400	\$395 – 1,429	—	—	—
Memory Care					
MC Monthly	\$5,600 – 8,000	—	—	—	—
Additional Care	—	—	—	—	—
Nursing					
Private	—	—	\$301	\$392	—
Semi-private	—	—	\$291	\$361	\$296

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Notes to Table

Doylestown

- a) Occupancy information as of May 31, 2017.
- b) The second person entrance fee for the Doylestown ILUs ranges from \$10,000 to \$20,000. The second person monthly fee for the Doylestown ILUs ranges from \$757 to \$859.
- c) Doylestown does not have any dedicated personal care units; however, it is licensed and permitted to provide personal care services for up to 75 residents in the Doylestown ILUs. Additional monthly fees for residents receiving personal care services in the Doylestown ILUs are as follows: Level I ranges from \$1,734 to \$2,220, Level II ranges from \$2,190 to \$2,768 and Level III ranges from \$2,738 to \$3,285.

Pine Run

- a) Pine Run also offers an asset preservation rental plan with entrance fees ranging from \$25,500 to \$70,000 monthly fees ranging from \$2,125 to \$6,200.
- b) Pine Run requires a one-time community fee of \$4,500 in the personal care units.
- c) Memory support care is available in the personal care units for \$7,483 per month plus additional care fees.
- d) Forty of the 90 nursing beds at Pine Run are dedicated towards memory support care for \$219 per day.

Christ's Home Retirement Community ("Christ Home")

- a) In addition to the zero percent refund shown, Christ's Home also offers 25% refundable, 50% refundable and 90% refundable entrance fee plans.
- b) The second person monthly fee ranges from \$60 in the garden apartments to \$327 in the Shepherd's Way suites. There is no second person fee in the Shepherd's Crossing cottages.
- c) Cottages with a two-car garage require an additional \$20,000 entrance fee and an additional monthly fee of \$129.
- d) For direct admissions, there is a one-time community fee of \$5,000 that is required upon move-in to personal care or memory care.

Ann's Choice

- a) Ann's Choice only offers a 90 percent refundable entrance fee plan.
- b) The second person monthly fee is \$809.
- c) A 90 refundable entrance deposit of \$140,000 to \$150,000 is required for direct admissions into personal care and nursing.
- d) Ann's Choice began an expansion in 2017 that will include 61 new personal care apartments ranging in size from studios, one-bedroom and two-bedroom styles. The addition will also include a dining room, bistro and beauty salon. The existing 44 personal care units are expected to be renovated into a secured, designated area for memory support residents.

Twining Village

- a) Rates shown are for the fee-for-service, zero percent refund plan. Lifecare plans are offered on some, larger one- and two-bedroom floorplans, with entrance fees ranging from \$240,000 to \$395,000 and monthly fees ranging from \$3,555 to \$4,700. The second person entrance fee and monthly fee for the lifecare plan is \$35,000 and \$2,500, respectively.
- b) In addition to the zero percent refund shown, Twining Village also offers 50% refundable and 90% refundable entrance fee plans.
- c) The second person entrance fee is \$10,000. The second person monthly fee is \$1,200.
- d) A one-time, refundable security deposit of \$1,000 and a one-time, non-refundable community fee of \$1,000 is required in personal care.
- e) Companion suites are available in personal care for \$4,560 to \$5,320 per month.
- f) Twining Village has been undergoing a repositioning, which includes the addition of a dedicated short-term rehab unit to the nursing center, as well as the addition of a secure memory unit in personal care. The memory care units became available for occupancy in March 2017 and are currently in fill-up. As of July 2017, memory care had 17 residents, the majority of which had transferred from traditional personal care.

The Solana Doylestown

- a) A one-time, non-refundable community fee equal to one month's rent plus estimated care and medication management costs is required upon move-in.
- b) The second person monthly fee is \$1,650.
- c) Companion suites are available for \$4,260 per month.
- d) Three levels of medication management are available for \$325, \$425 and \$525 per month, respectively.

Comparable Communities – Upper Moreland

The following map depicts Upper Moreland, a 10-mile radius around Upper Moreland and the primary competitors identified by Management.

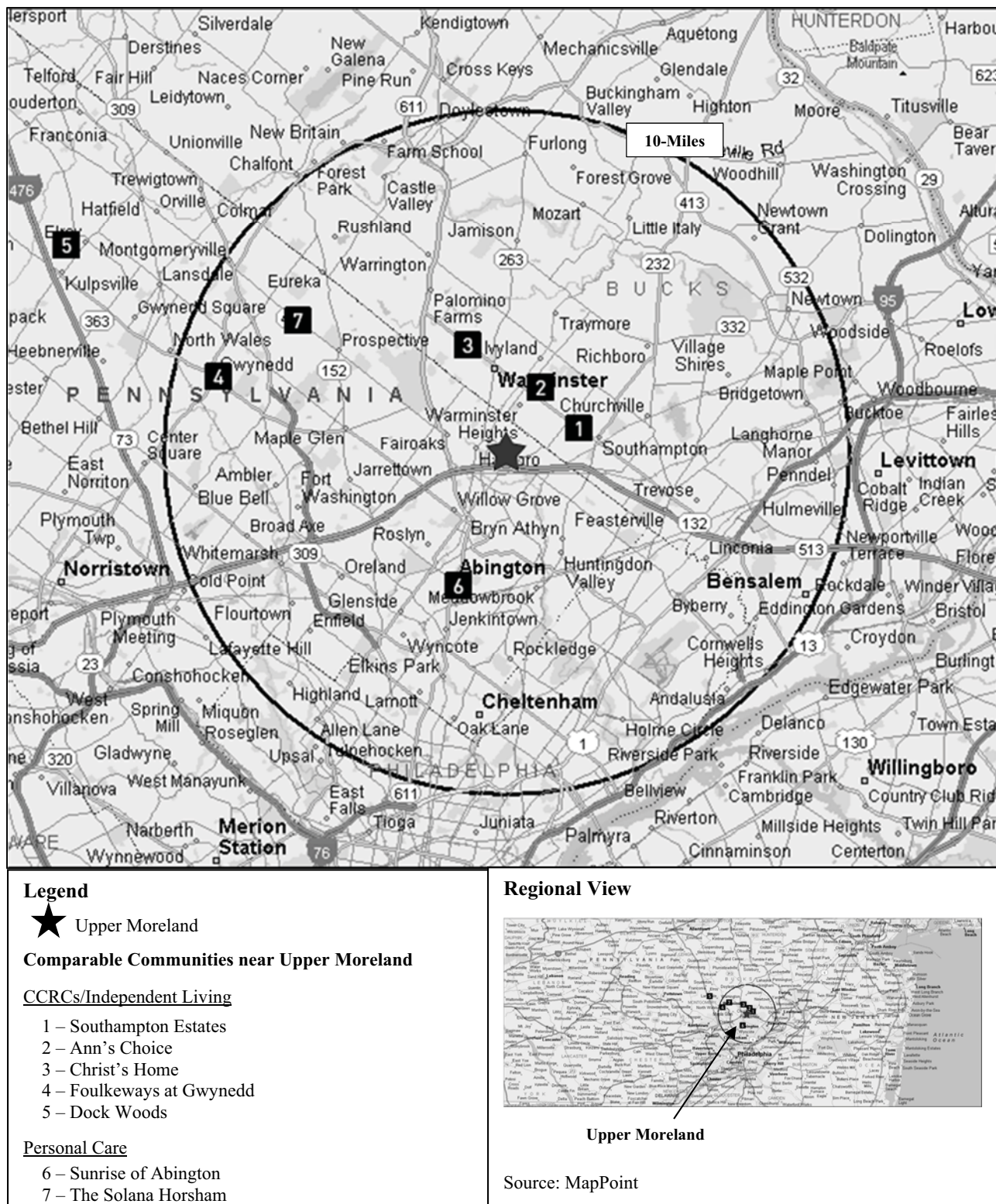


Table 15
Upper Moreland and Comparable Communities

Community	Upper Moreland	Southampton Estates	Ann's Choice	Christ's Home
City/Zip Code	Hatboro	Southampton 18966	Warminster 18974	Warminster 18974
Distance from Upper Moreland (in miles)	—	2.9	3.3	4.2
Owner/Sponsor	WEL	ACTS Retirement-Life Communities	Erickson Living	Christ's Home
For Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit	Non-Profit
Year Opened	1995	1979	2003	1925
Type of Contract	Type C	Type A/B/C	Type C	Type C
Levels of Care				
ILU	150	296	1,478	186
PCU	33	36	44	30
MC	—	—	—	12
Nursing Beds	—	118	88	48
Occupancy Rate				
ILU	93%	97%	96%	99%
PCU	96%	100%	98%	100%
MC	—	—	—	83%
Nursing Beds	—	97%	90%	98%
Independent Living				
Unit Type	Studios – Cottages	1 BR – 3 BR	Studios – 2 BR	1 BR – Cottages
Size (s.f.)	390 – 1,300	549 – 1,130	512 – 1,882	934 – 1,843
EF Refund (shown)	0%	0%	90%	90%
Entrance Fee	\$72,500 – 229,500	\$128,900 – 315,900	\$117,000 – 526,000	\$149,000 – 429,900
Monthly Fee	\$1,041 – 2,226	\$2,403 – 3,068	\$1,819 – 2,871	\$1,301 – 2,457
Personal Care				
PCU Monthly Fee	\$4,471 – 5,110	\$6,330	\$4,712 – 9,941	\$5,700
Additional Care	\$517 – 1,156	—	—	—
Memory Care				
MC Monthly	—	—	—	\$6,900
Additional Care	—	—	—	—
Nursing				
Private	—	\$382	\$424	\$430
Semi-private	—	\$310	—	—

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Table 15 (continued)
Upper Moreland and Comparable Communities

Community	Foulkeways at Gwynedd	Dock Woods	Sunrise of Abington	Kyffin Grove
City/Zip Code	Gwynedd 19436	Lansdale 19444	Abington 19001	North Wales 19454
Distance from Upper Moreland (in miles)	10.0	16.5	4.9	7.5
Owner/Sponsor	Foulkeways at Gwynedd, Inc.	Living Branches	Sunrise Senior Living	Sage Senior Living
For Profit/Non-Profit	Non-Profit	Non-Profit	For Profit	For Profit
Year Opened	1967	1981	1997	2013
Type of Contract	Type A	Type C	Rental	Rental
Levels of Care				
ILU	262	263	—	—
PCU	53	47	121	32
MC	—	26	17	46
Nursing Beds	44	72	—	—
Occupancy Rate				
ILU	94%	98%	—	—
PCU	99%	92%	98%	94%
MC	—	88%	88%	98%
Nursing Beds	93%	95%	—	—
Independent Living				
Unit Type	Studios – Cottages	1 BR – Cottages	—	—
Size (s.f.)	400 – 3,000	635 – 1,998	—	—
EF Refund (shown)	0%	0%	—	—
Entrance Fee	\$69,000 – 429,000	\$94,500 – 349,500	—	—
Monthly Fee	\$3,080 – 6,290	\$1,010 – 2,347	—	—
Personal Care				
PCU Monthly Fee	—	\$4,894 – 5,958	\$5,000	\$3,495 – 5,750
Additional Care	—	\$304 – 608	—	\$600 – 2,350
Memory Care				
MC Monthly	—	\$7,235	\$6,500	\$5,150 – 5,750
Additional Care	—	—	—	\$1,150 – 2,350
Nursing				
Private	—	\$407	—	—
Semi-private	—	\$355	—	—

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Notes to Table

Upper Moreland

- a) Occupancy information as of May 31, 2017.
- b) The second person entrance fee for the Upper Moreland ILUs ranges from \$10,000 to \$20,000. The second person monthly fee for the Upper Moreland ILUs ranges from \$69 to \$517.
- c) Two additional levels of care are available in the Upper Moreland PCUs for the following monthly fees: Level I ranges from \$517 to \$639 and Level II ranges from \$1,095 to \$1,156.

Southampton Estates

- a) In addition to the zero percent refund shown, Southampton Estates also offers a 50% refundable entrance fee plan, as well as a modified health care plan for individuals with Long-Term Care Insurance.
- b) The second person entrance fee is \$25,000. The second person monthly fee is \$1,631.

Ann's Choice

- a) Ann's Choice only offers a 90 percent refundable entrance fee plan.
- b) The second person monthly fee is \$809.
- c) There is a refundable entrance deposit of \$140,000 to \$150,000 for personal care and nursing care at Ann's Choice.
- d) Ann's Choice began an expansion in 2017 that will include 61 new personal care apartments ranging in size from studios, one-bedroom and two-bedroom styles. The addition will also include a dining room, bistro and beauty salon. The existing 44 personal care units will be renovated into a secured, designated area for memory support residents.

Christ's Home

- e) In addition to the zero percent refund shown, Christ's Home also offers 25% refundable, 50% refundable and 90% refundable entrance fee plans.
- f) The second person monthly fee ranges from \$60 in the garden apartments to \$327 in the Shepherd's Way suites. There is no second person fee in the Shepherd's Crossing cottages.
- g) Cottages with a two-car garage require an additional \$20,000 entrance fee and an additional monthly fee of \$129.
- h) For direct admissions, there is a one-time community fee of \$5,000 that is required upon move-in to personal care or memory care.

Foulkeways at Gwynedd

- a) A second person entrance fee of \$31,000 is required for couples.
- b) Foulkeways at Gwynedd rarely takes direct admits into the assisted living units or nursing beds and therefore, no published rates are available for the assisted living units or nursing beds.
- c) Foulkeways at Gwynedd broke ground on the Abington House North expansion in November 2016, which is expected to include 30 personal care suites that will connect to the existing Abington House Personal Care building and Gwynedd House Skilled Nursing Care building. The new personal care units are expected to become available for occupancy in fall 2017.

Dock Woods Community, Inc ("Dock Woods")

- a) The second person monthly fee ranges from \$138 to \$515 in independent living.
- b) Admission fees range from \$11,500 to \$14,500 in assisted living, from \$16,500 to \$18,500 in memory support care and are \$500 for skilled nursing.
- c) Semi-private companion suites are available in memory care for \$6,475 per month.
- d) Dock Gardens apartments at Dock Woods include 20 days for personal care or health care.
- e) The second person monthly fee is \$2,432 in personal care.
- f) Memory support nursing care is available for \$363 and \$414 per day for semi-private and private suites, respectively.

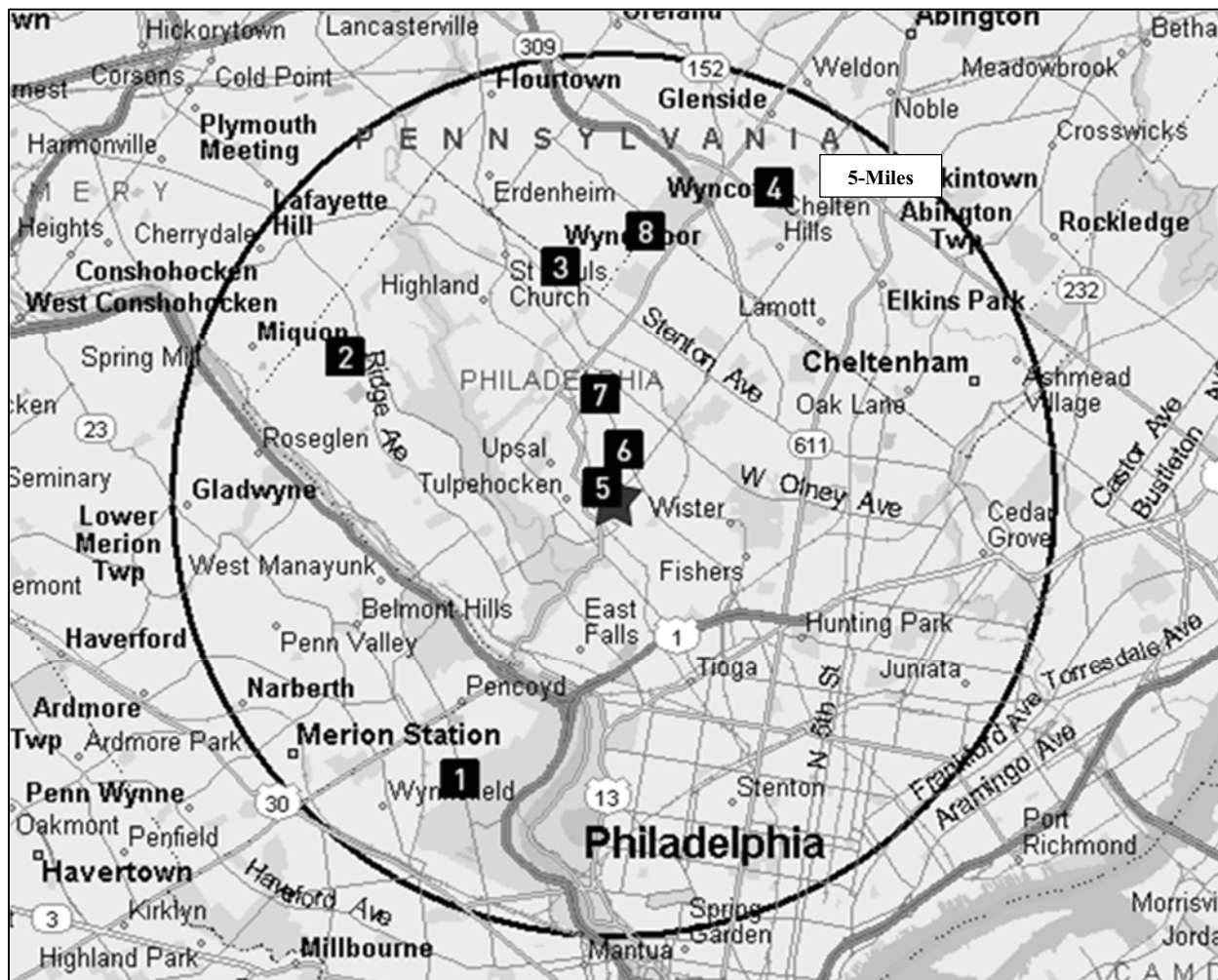
Kyffin Grove

- a) Kyffin Grove is formerly known as Solana of Horsham. Sage Senior Living took ownership Solana of Horsham in December 2016
- b) There is a one-time community fee of \$3,000.
- c) Companion suites are available for \$3,495 per month.

See Independent Accountants' Examination Report

Comparable Communities – Stapeley

The following map depicts Stapeley, a five-mile radius around Stapeley and the primary competitors identified by Management.



Legend



Comparable Communities near Stapeley CCRCs/Independent Living

- 1 – Simpson House
- 2 – Cathedral Village

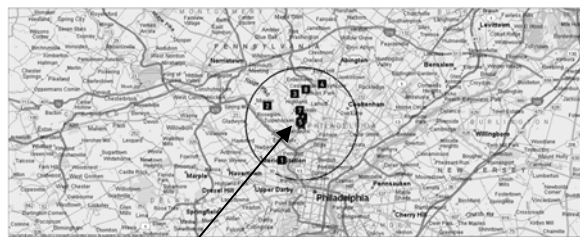
Personal Care

- 3 – The Terrace at Chestnut Hill
- 4 – Wyncote Place

Nursing

- 5 – Clivedan Convalescent Center
- 6 – Caring Heart Rehab & Nursing
- 7 – Germantown Home
- 8 – Ivy Hill Rehab Center

Regional View



Stapeley

Source: MapPoint

The following table shows Stapeley and the comparable communities identified by Management.

Table 16
Stapeley and Comparable Communities

Community	Stapeley	Simpson House	Cathedral Village	The Terrace at Chestnut Hill	Wyncote Place
City/Zip Code	Philadelphia 19144	Philadelphia 19131	Philadelphia 19128	Philadelphia 19118	Wyncote 19095
Distance from Stapeley (in miles)	—	4.1	5.1	3.5	4.3
Owner/Sponsor	WEL	Simpson Senior Services	Presbyterian Senior Living	Meridian Senior Living	Enlivant
For Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit	Non-Profit	For Profit
Year Opened	1905	1899	1979	1925	1999
Type of Contract	Type C	Type A	Type A	Rental	Rental
Levels of Care					
ILU	43	119	243	—	—
PCU	46	54	50	71	—
MC	21	9	—	33	46
Nursing Beds	120	154	133	—	—
Occupancy Rate					
ILU	87%	99%	95%	—	—
PCU	90%	96%	88%	96%	—
MC	98%	100%	—	96%	85%
Nursing Beds	96%	93%	82%	—	—
Independent Living					
Unit Type	Studio – 2 BR	Studio – 2 BR	Studio – 2 BR	—	—
Size (s.f.)	300 – 1,092	650 – 1,550	340 – 1,300	—	—
EF Refund (shown)	0%	90%	0%	—	—
Entrance Fee	\$30,000 – 110,000	\$117,000 – 526,000	\$55,000 – 315,000	—	—
Monthly Fee	\$2,298 – 3,629	\$1,754 – 2,769	\$3,615 – 5,350	—	—
Personal Care					
PCU Monthly Fee	\$4,263 – 5,078	\$4,468 – 5,509	\$5,315 – 7,050	\$3,450 – 5,950	—
Additional Care	—	\$780 – 1,538	\$150 – 300	\$475 – 1,500	—
Memory Care					
MC Monthly	\$5,353	\$4,796	—	\$5,700	\$5,300 – 5,500
Additional Care	—	\$809 – 1,611	—	—	—
Nursing					
Private	\$407	\$391	\$447	—	—
Semi-private	\$353	—	\$395	—	—

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Table 16 (continued)
Stapeley and Comparable Communities

Community	Cliveden Convalescent Center	Caring Heart Rehab and Nursing	Germantown Home	Ivy Hill Rehab Center
City/Zip Code	Philadelphia 19119	Philadelphia 19119	Philadelphia 19119	Philadelphia 19150
Distance from Stapeley (in miles)	0.2	0.7	1.4	3.9
Owner/Sponsor	Mid Atlantic Healthcare	Carmelite Sisters for the Aged & Infirmary	New Courtland Management Services	Global Healthcare Group, LLC
For Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit	For Profit
Year Opened	1974	1991	1959	1984
Type of Contract	Rental	Rental	Rental	Rental
Levels of Care				
ILU	—	—	—	—
PCU	—	—	—	—
MC	—	—	—	—
Nursing Beds	180	269	180	145
Occupancy Rate				
ILU	—	—	—	—
PCU	—	—	—	—
MC	—	—	—	—
Nursing Beds	97%	90%	98%	97%
Independent Living				
Unit Type	—	—	—	—
Size (s.f.)	—	—	—	—
EF Refund (shown)	—	—	—	—
Entrance Fee	—	—	—	—
Monthly Fee	—	—	—	—
Personal Care				
PCU Monthly Fee	—	—	—	—
Additional Care	—	—	—	—
Memory Care				
MC Monthly	—	—	—	—
Additional Care	—	—	—	—
Nursing				
Private	—	\$364	—	\$415
Semi-private	\$310	\$351	\$285	\$385

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Notes to Table

Stapeley

- a) Occupancy information as of May 31, 2017.
- b) The second person entrance fee is \$10,000. The second person monthly fee is \$1,074.
- c) The second person entrance fee for the Stapeley ILUs is \$10,000. The second person monthly fee for the Stapeley ILUs ranges from \$1,072 to \$1,074.
- d) A one-time community fee of \$5,100 is required upon move-in into the Stapeley PCUs.
- e) The second person monthly fee for the large and suite the Stapeley PCUs ranges from \$1,137 to \$1,139.
- f) Semi-private accommodations are available in the Stapeley PCUs and Stapeley MCUs for \$2,937 and \$4,258 per month per person, respectively.

Cathedral Village

- a) The second person entrance fee is \$15,000 and the second person monthly fee is \$2,750.
- b) Cathedral Village also offers a 50 percent refundable plan with entrance fees ranging from \$82,500 to \$467,500 and monthly fees ranging from \$1,725 to \$3,460. The second person entrance fee and second person monthly fee for the 50 percent refundable plan are \$22,500 and \$950, respectively.
- c) Memory support care is offered in the nursing center with daily fees the same as the skilled nursing beds.

Simpson House

- a) Simpson House is undergoing an expansion project which includes 37 new independent living units, expected to be available in January 2018. All but one of the units have been pre-sold.
- b) The second person monthly fee is \$780.
- c) A one-time entrance fee of \$5,000 is required for direct admits into personal care and memory care.

The Terrace at Chestnut Hill

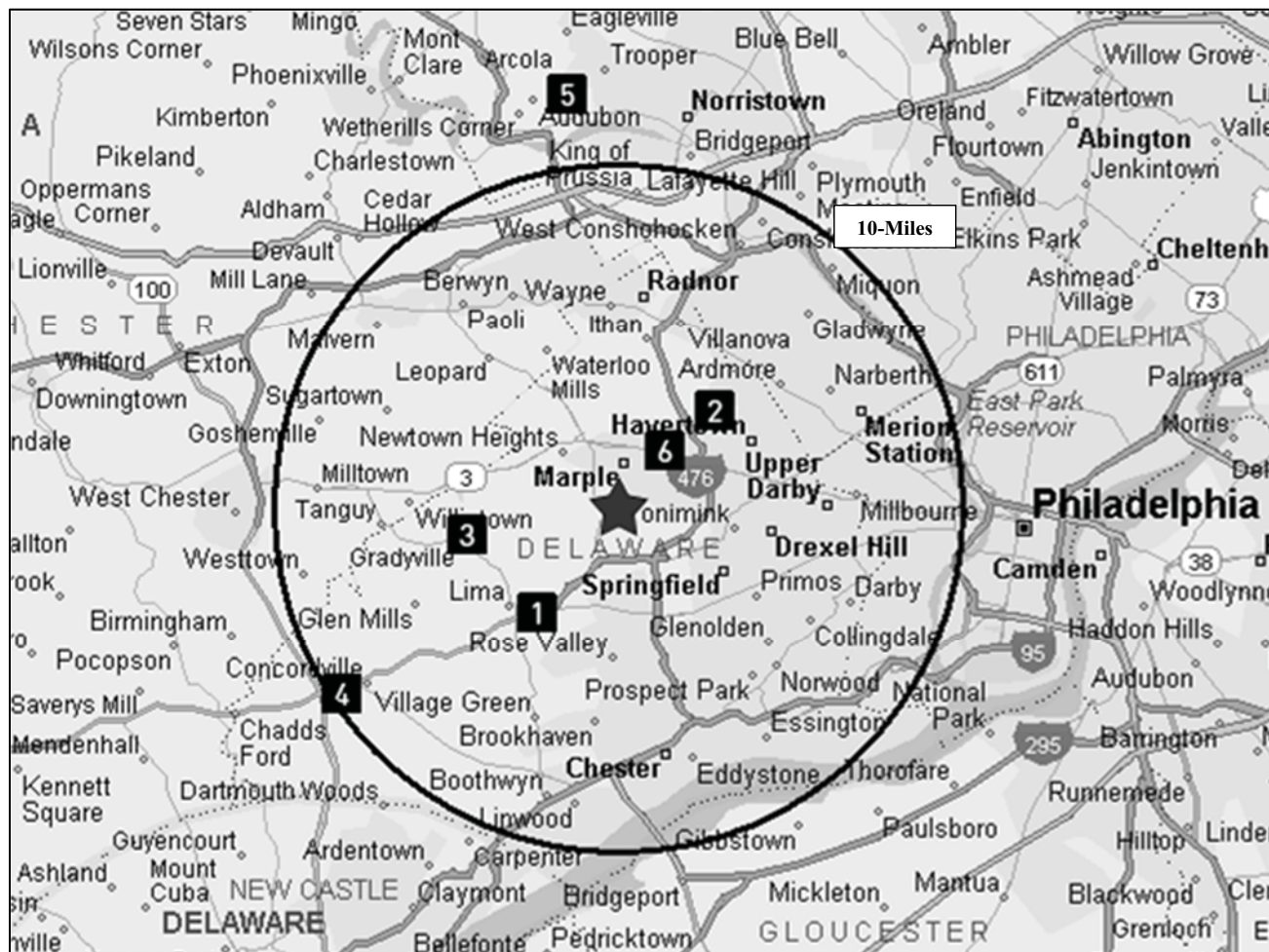
- a) The second person monthly fee is \$900.
- b) Semi-private companion studios are available for \$2,900 and \$4,200 per month in traditional personal care and memory care, respectively.

Wyncote Place

- a) The second person monthly fee is \$1,824
- b) Semi-private companion suites are available for \$4,500 per month.

Comparable Communities – Main Line

The following map depicts Main Line, a 10-mile radius around Main Line and the primary competitors identified by Management.



Legend



Comparable Communities near Main Line

CCRCs/Independent Living

- 1 – Riddle Village
- 2 – Quadrangle
- 3 – White Horse Village
- 4 – Maris Grove
- 5 – Shannondell at Valley Forge

Nursing

- 6 – Broomall Manor

Regional View



Main Line

Source: MapPoint

The following table shows Main Line and the comparable communities identified by Management.

Table 17
Main Line and Comparable Communities

Community	Main Line	Riddle Village	Quadrangle	White Horse Village
City/Zip Code	Media 19063	Media 19063	Haverford 19041	Newtown Square 19073
Distance from Main Line (in miles)	—	5.8	6.0	6.4
Owner/Sponsor	WEL	Life Care Services LLC	Sunrise Senior Living	White Horse Village
For Profit/Non-Profit	Non-Profit	Non-Profit	For Profit	Non-Profit
Year Opened	1980	1993	1989	1989
Type of Contract	Type C	Type A	Type A/Type C	Type A/Type C
Levels of Care				
ILU	163	365	349	353
PCU	30	49	90	48
MC	—	—	22	20
Nursing Beds	60	86	78	59
Occupancy Rate				
ILU	80%	97%	94%	97%
PCU	94%	100%	90%	90%
MC	—	—	92%	85%
Nursing Beds	91%	99%	81%	75%
Independent Living				
Unit Type	Studio – 2 BR	Studio – 3 BR	1 BR – Cottages	Studio – Cottages
Size (s.f.)	500 – 1,250	557 – 2,271	650 – 1,225	510 – 3,200
EF Refund (shown)	0%	0%	0%	0%
Entrance Fee	\$54,000 – 244,000	\$101,136 – 463,558	\$92,000 – 229,500	\$105,000 – 585,700
Monthly Fee	\$1,471 – 3,252	\$2,363 – 6,824	\$3,495 – 5,873	\$3,070 – 6,134
Personal Care				
PCU Monthly Fee	\$4,593	\$2,363 – 6,824	\$3,495 – 6,800	\$6,171
Additional Care	\$517 – 973	—	—	\$1,459
Memory Care				
MC Monthly	—	—	\$8,821	\$8,755
Additional Care	—	—	—	—
Nursing				
Private	\$361	\$399	\$365	\$424 – 443
Semi-private	\$321 – 339	\$325	—	—

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Table 17 (continued)
Main Line and Comparable Communities

Community	Maris Grove	Shannondell at Valley Forge	Broomall Manor
City/Zip Code	Glen Mills 19342	Audubon 19403	Broomall 19008
Distance from Main Line (in miles)	11.6	16.2	3.7
Owner/Sponsor	Erickson Living	Dell Retirement Services	Saber Healthcare Group
For Profit/Non-Profit	Non-Profit	For Profit	For Profit
Year Opened	2006	2002	1988
Type of Contract	Type C	Type C	Rental
Levels of Care			
ILU	1,196	1,014	—
PCU	65	72	—
MC	—	32	—
Nursing Beds	66	190	123
Occupancy Rate			
ILU	96%	95%	—
PCU	98%	94%	—
MC	—	100%	—
Nursing Beds	94%	99%	61%
Independent Living			
Unit Type	1 BR – 2 BR	1 BR – 2 BR	—
Size (s.f.)	620 – 1,400	708 – 1,390	—
EF Refund (shown)	90%	100%	—
Entrance Fee	\$149,000 – 595,000	\$95,000 – 646,500	—
Monthly Fee	\$1,964 – 3,388	\$1,500 – 4,000	—
Personal Care			
PCU Monthly Fee	\$4,914 – 9,658	\$4,635 – 7,395	—
Additional Care	—	\$1,000 – 1,500	—
Memory Care			
MC Monthly	—	\$7,395	—
Additional Care	—	\$1,200 – 1,600	—
Nursing			
Private	\$417	\$472	-
Semi-private	—	-	\$220

Source: Management, NICMap, Pennsylvania Department of Human Services and surveys conducted by DHG through July 2017.

Notes to Table

Main Line

- a) Occupancy information as of April 30, 2017.
- b) The second person monthly fee for Main Line ILUs ranges from \$758 to \$797.
- c) Two additional levels of care are available in the Main Line PCUs for the following monthly fees: Level I is \$517 and Level II is \$973.

Quadrangle

- a) In addition to the standard entrance fee plan shown, Quadrangle offers 50 percent refundable and 90 percent refundable plans. Quadrangle also offers a zero percent refundable fee-for-service plan.
- b) Management of Quadrangle would not provide information regarding rates and occupancy. Entrance fees and monthly fees shown reflect information published in 2016.

Riddle Village

- a) In addition to the zero percent refund shown, Riddle Village also offers 50 percent refundable and 90 percent refundable entrance fee plans.
- b) The second person entrance fee is \$17,000. The second person monthly fee ranges from \$1,293 to \$1,332.

White Horse Village

- a) In addition to the standard entrance fee plan shown, White Horse Village offers an 80 percent refundable plan, as well as a modified plan for those who have long-term care insurance.
- b) The second person entrance fee is \$25,000. The second person monthly fee is \$1,743.

Maris Grove

- a) The second person monthly fee is \$863.
- b) A one-time, 90 refundable entrance deposit of \$150,000 is required for direct admissions into Maris Grove personal care and nursing care.
- c) Maris Grove opened two new independent living buildings with a total of 163 apartments in spring 2017 which are currently in fill-up. One building is fully occupied and approximately 40 percent of the units in the second building are occupied.

Shannondell At Valley Forge

- a) The second person monthly fee is \$880.

Comparable Communities Planned or Under Development near the Communities

Based on discussions with representatives of local planning and permitting agencies, interviews with management at existing retirement communities and the NIC Map Dodge Data & Analytics Construction pipeline report, the following projects have been identified near the Communities. Research was limited to a five-mile radius surrounding each of the Communities. No senior housing projects were identified within a five-mile radius of Doylestown or Main Line.

Upper Moreland

Ann's Choice, approximately three miles northeast of Upper Moreland, began an expansion project in early 2017 to include 61 new personal care apartments ranging in size from studios, one-bedroom and two-bedroom styles as well as additional common space including a dining room, bistro and beauty salon. The existing 44 personal care units are expected to be renovated into a secured, designated area for memory support residents. Construction on the project commenced in spring 2017 and is expected to be available for occupancy in summer 2018.

Pennypack

Immaculate Mary Center for Rehabilitation and Healthcare, an existing nursing home less than one mile southwest of Pennypack, is considering a renovation and expansion project at the community. The project is expected to include an approximately 68,000 square foot, four-story expansion including the construction of 88 private rooms. The total number of nursing beds would remain at 296 since semi-private accommodations would be converted to private accommodations. Plans are still underway and construction schedules are undetermined at this time.

Stapeley

Simpson House, an existing CCRC approximately four miles southwest of Stapeley, is undergoing an expansion project which includes 37 new independent living units. The new independent living units, which are in one-bedroom and two-bedroom configurations, are expected to be available in January 2018. All but one of the units have been pre-sold at this time.

Atria Senior Living is developing a proposed personal care facility to be located on approximately six acres at 9303 Ridge Pike in Lafayette Hill. The proposed project, approximately six miles northwest of Stapeley, is expected to include approximately 125 personal care units on the Tecce Tract along Ridge Pike. Land development plans are under reviews and construction schedules are undetermined at this time.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

(b) Deferred Costs

Costs associated with the issuance of debt are capitalized and amortized over the expected lives of the related indebtedness using the effective interest method. Management has implemented ASU No. 2015-03 “Interest – Imputation of Interest” and simplified the presentation of debt issuance costs. Under the new Standard, the debt issuance costs are netted against the related debt on the balance sheet and the amortization is included in interest expense on the statement of operations.

Marketing costs incurred by the Corporation in connection with acquiring initial resident contracts are capitalized and amortized on a straight-line basis over a period approximating the average life expectancy of the Independent Living Unit residents.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid securities with an original maturity of three months or less when purchased.

(d) Property, Equipment and Depreciation Expense

Property and equipment are recorded at cost. Depreciation expense is calculated on the straight-line method over the estimated useful lives of depreciable assets. The cost of maintenance and repairs is charged to operations as incurred, whereas significant renewals and betterments are capitalized.

(e) Assets Limited as to Use

Assets limited as to use are assumed to be carried at fair value, which, based on the nature of the underlying securities, is assumed to approximate historical cost. Management assumes no material changes in fair values that result in material net realized or unrealized gains or losses during the forecast period.

(f) Investment Income

Investment income is reported as operating revenue unless restricted by donor or law. Management assumes no changes in fair values that result in material net realized or unrealized gains or losses during the forecast period.

(g) Costs of Borrowing

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(h) Deferred Revenue from Entrance Fees

The non-refundable portion of an entrance fee is recorded as deferred revenue and is amortized into revenue over the estimated remaining life expectancy of the residents in the Independent Living Units.

(i) Refundable Entrance Fees

Refundable entrance fees received are deferred and the refundable portion of the entrance fee is maintained as a liability, reflecting the Obligated Group’s future obligation for repayment.

(j) Estimated Obligation to Provide Future Services

Management annually calculates the present value of the net cost of future service and use of facilities to be provided to current residents and compares that amount with balance of deferred revenue from entrance fees. The obligation to provide future (the “Future Service Obligation”) services to residents represents the estimated net future costs to serve residents, net of revenue from those residents, who were parties to an occupancy agreement on the Obligated Group’s fiscal year end. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded. No liability was recorded at December 31, 2016, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the forecast, no provision for future service obligations is assumed to be required during the forecast period.

(k) Pending Accounting Standard Implementation

Management has not implemented ASU No. 2016-14 “Presentation on Financial Statements of Not-for-Profit Entities,” issued in August 2016 to improve not-for-profit financial statement disclosure, effective for financial statements for fiscal years beginning after December 15, 2017, for purposes of the feasibility study.

Management has not implemented ASU No. 2014-09 “Revenue from Contracts with Customers”, issued in May 2014 and deferred by ASU No. 2015-14 in August 2015, to establish principles for recognizing revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services, effective for financial statements for fiscal years beginning after December 15, 2018, for purposes of the feasibility study.

Summary of Revenue and Entrance Fee Assumptions

Independent Living Revenues

Independent living revenues are based upon charges for services provided to residents of the Independent Living Units and the assumed occupancy and the monthly fees of the respective units. Management assumes the monthly fees for the Independent Living Units are to increase 2.0 percent annually beginning January 1, 2018 and throughout the remainder of the forecast period.

Personal Care Revenues

Personal care revenues are generated from services provided to internal residents of the Communities transferring from independent living units as well as direct admissions from the local surrounding area. The monthly fees for personal care and memory support units are assumed to increase 2.0 percent annually beginning January 1, 2018 and throughout the remainder of the forecast period.

Historical and forecasted occupancy for the Independent Living Units and Personal Care Units are presented in the following table:

Table 18						
Independent Living Unit and Personal Care Unit Utilization						
Year Ending December 31	Independent Living Units			Personal Care Units		
	Total Occupied	Total Available	Occupancy	Total Occupied	Total Available	Occupancy
<i>Pennypack</i>						
Historical:						
2014	48.5	50.0	97.0%	26.9	33.0	81.5%
2015	65.7	71.0	92.6%	31.4	33.0	95.1%
2016	63.6	71.0	89.5%	36.4	40.0	91.1%
2017 ⁽¹⁾	68.4	71.0	96.4%	37.7	40.0	94.2%
Forecasted:						
2017	65.0	72.0	90.3%	33.0	39.0	84.6%
2018	65.0	72.0	90.3%	33.0	39.0	84.6%
2019	66.1	72.0	91.8%	33.0	39.0	84.6%
2020	66.1	72.0	91.8%	33.0	39.0	84.6%
2021	66.1	72.0	91.8%	33.0	39.0	84.6%
<i>Doylestown</i>						
Historical:						
2014	200.1	219.0	91.7%	56.8		
2015	202.4	219.0	92.4%	62.3		
2016	208.3	219.0	93.5%	65.3		
2017 ⁽¹⁾	204.4	219.0	93.4%	62.1		
Forecasted:						
2017	208.0	219.0	95.0%	63.0	N/A ⁽²⁾	
2018	208.0	219.0	95.0%	63.0		
2019	208.0	219.0	95.0%	63.0		
2020	208.0	219.0	95.0%	63.0		
2021	208.0	219.0	95.0%	63.0		

Table 18 (continued)
Independent Living Unit and Personal Care Unit Utilization

Year Ending December 31	Independent Living Units			Personal Care Units		
	Total Occupied	Total Available	Occupancy	Total Occupied	Total Available	Occupancy
<i>Upper Moreland</i>						
Historical:						
2014	143.5	150.0	95.7%	31.4	33.0	95.3%
2015	139.9	150.0	93.3%	30.5	33.0	92.3%
2016	139.8	150.0	93.2%	31.2	33.0	94.6%
2017 ⁽¹⁾	139.2	150.0	92.8%	31.6	33.0	95.7%
Forecasted:						
2017	140.0	150.0	93.3%	31.0	33.0	94.0%
2018	140.0	150.0	93.3%	31.0	33.0	94.0%
2019	140.0	150.0	93.3%	31.0	33.0	94.0%
2020	140.0	150.0	93.3%	31.0	33.0	94.0%
2021	140.0	150.0	93.3%	31.0	33.0	94.0%
<i>Stapeley</i>						
Historical:						
2014	38.6	43.0	89.9%	62.3	67.0	93.0%
2015	34.6	43.0	80.4%	59.6	67.0	88.9%
2016	34.5	43.0	80.2%	59.3	67.0	88.5%
2017 ⁽¹⁾	37.3	43.0	86.7%	62.0	67.0	92.6%
Forecasted:						
2017	38.0	43.0	88.4%	61.0	67.0	91.0%
2018	38.0	43.0	88.4%	61.0	67.0	91.0%
2019	38.0	43.0	88.4%	61.0	67.0	91.0%
2020	38.0	43.0	88.4%	61.0	67.0	91.0%
2021	38.0	43.0	88.4%	61.0	67.0	91.0%
<i>Main Line</i>						
Historical:						
2014 ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
2015	135.3	163.0	83.0%	26.0	30.0	86.6%
2016	126.2	163.0	77.4%	28.6	30.0	92.2%
2017 ⁽¹⁾	134.1	163.0	82.3%	28.0	30.0	93.3%
Forecasted:						
2017	133.1	163.0	81.6%	28.0	30.0	93.3%
2018	141.2	163.0	86.6%	28.0	30.0	93.3%
2019	144.3	163.0	88.5%	28.0	30.0	93.3%
2020	146.8	163.0	90.1%	28.0	30.0	93.3%
2021	149.3	163.0	91.6%	28.0	30.0	93.3%

Source: Management

(1) Average year to date occupancy through May 31, 2017.

(2) Doylestown does not have dedicated personal care units but offers personal care services to residents of the Doylestown ILUs. Figures shown reflect the number of residents of the Doylestown ILU also receiving personal care services.

(3) Prior to Main Line affiliation with WEL.

The double occupancy percentages during the forecast period for the Communities are assumed to be 18 percent in the Pennypack ILU, 11 percent in the Doylestown ILU, 17 percent in the Upper

See Independent Accountants' Examination Report

Moreland ILU, and 11 percent in the Stapeley ILU. The double occupancy percentage in the Main Line ILU is assumed to be 12 percent of occupied units in fiscal year 2017, decreasing to 11 percent by fiscal year 2021.

Assumed Independent Living Turnover

The assumed turnover of the Independent Living Units due to death, withdrawal or transfer to the assisted living, memory care or nursing beds at the Communities, and double occupancy of the independent living units at the Communities has been estimated by Management based on its experience at each Community. The following table presents the assumed Entrance Fees received and Entrance Fees refunded.

Table 19
Entrance Fees Receipts and Refunds
(In Thousands)

	For the Year Ending December 31,				
	2017	2018	2019	2020	2021
Number of Entrance Fees Received (Attrition)					
<i>Pennypack</i>	8.0	8.0	8.0	7.0	7.0
<i>Doylestown</i>	37.0	37.0	35.0	34.0	34.0
<i>Upper Moreland</i>	21.0	22.0	21.0	21.0	21.0
<i>Stapeley</i>	7.0	7.0	7.0	7.0	7.0
<i>Main Line</i>	41.0	44.0	42.0	39.0	38.0
<i>Total number of Entrance Fees received</i>	114.0	118.0	113.0	108.0	107.0
Entrance Fees Received (Attrition)					
<i>Pennypack</i>	\$ 571	\$ 588	\$ 606	\$ 546	\$ 562
<i>Doylestown</i>	4,068	4,190	4,082	4,061	4,183
<i>Upper Moreland</i>	2,829	2,977	2,815	2,827	2,767
<i>Stapeley</i>	247	255	262	267	275
<i>Main Line</i>	3,902	4,313	4,241	4,056	4,070
<i>Entrance Fees received (Attrition)</i>	\$ 11,617	\$ 12,323	\$ 12,006	\$ 11,757	\$ 11,857
Entrance Fees Refunded (Attrition)					
<i>Pennypack</i>	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Doylestown</i>	(949)	(949)	(797)	(797)	(663)
<i>Upper Moreland</i>	(556)	(556)	(560)	(568)	(423)
<i>Stapeley</i>	-	-	-	-	-
<i>Main Line</i>	(1,294)	(1,200)	(1,135)	(1,007)	(998)
<i>Entrance Fees Refunded</i>	\$ (2,799)	\$ (2,705)	\$ (2,492)	\$ (2,372)	\$ (2,084)
Entrance Fees Received, Net of Refunds	\$ 8,818	\$ 9,618	\$ 9,514	\$ 9,385	\$ 9,773

Source: Management

Entrance Fees at Pennypack and Upper Moreland are assumed to increase 3.0 percent annually during the forecast period. Entrance Fees at Doylestown, Stapeley, and Main Line are assumed to increase 1.0 percent annually during the forecast period.

See Independent Accountants' Examination Report

Skilled Nursing Revenues

Skilled nursing revenues are generated from services provided to internal residents transferring from the Independent Living Units, Personal Care Units or Memory Support Units as well as direct admissions from the surrounding area. Pennypack, Doylestown, Stapeley, and Main Line participate in Medicare and Medicaid reimbursement programs for certain nursing residents. Nursing service fees are assumed to increase 2.0 percent annually beginning January 1, 2018 and annually thereafter. Medicare and Medicaid service fees are assumed to increase 1.0 percent annually beginning January 1, 2018 and annually thereafter. Additionally, skilled nursing revenues also include health care ancillary revenue related to therapies, incontinence fees, medical supplies, and other billable ancillary services.

The following table summarizes both the historical and assumed utilization of the Nursing Beds by payor type.

Table 20
Community Utilization – Nursing Beds

Year Ending December 31,	Payor Mix			Total Occupancy	Total Beds Available	Occupancy
	Private Pay / Managed Care	Medicare	Medicaid			
Pennypack Park						
Historical:						
2014	30.1	7.9	77.5	115.5	120	96.3%
2015	32.7	7.2	75.5	115.4	120	96.2%
2016	33.7	7.3	73.1	114.1	120	95.1%
2017 ⁽¹⁾	35.5	10.2	68.0	113.7	120	94.8%
Forecasted:						
2017	30.5	8.0	75.0	113.5	120	94.6%
2018	30.5	8.0	75.0	113.5	120	94.6%
2019	30.5	8.0	75.0	113.5	120	94.6%
2020	30.5	8.0	75.0	113.5	120	94.6%
2021	30.5	8.0	75.0	113.5	120	94.6%
Doylestown						
Historical:						
2014	27.9	5.9	23.5	57.3	60	95.5%
2015	24.4	5.5	26.7	56.6	60	94.3%
2016	23.3	4.5	30.6	58.4	60	97.3%
2017 ⁽¹⁾	26.3	4.4	28.1	58.8	60	98.0%
Forecasted:						
2017	23.0	5.0	30.0	58.0	60	96.7%
2018	23.0	5.0	30.0	58.0	60	96.7%
2019	23.0	5.0	30.0	58.0	60	96.7%
2020	23.0	5.0	30.0	58.0	60	96.7%
2021	23.0	5.0	30.0	58.0	60	96.7%

Table 20 (continued)
Community Utilization – Nursing Beds

Year Ending December 31,	Payor Mix			Total Occupancy	Total Beds Available	Occupancy
	Private Pay / Managed Care	Medicare	Medicaid			
<i>Stapeley</i>						
<i>Historical:</i>						
2014	16.4	11.6	82.0	110.0	120	91.7%
2015	15.7	10.4	84.3	110.4	120	92.0%
2016	19.4	7.9	86.8	114.1	120	95.1%
2017 ⁽¹⁾	20.3	7.5	87.1	114.9	120	95.7%
<i>Forecasted:</i>						
2017	19.3	9.0	86.0	114.3	120	95.3%
2018	19.3	9.0	86.0	114.3	120	95.3%
2019	19.3	9.0	86.0	114.3	120	95.3%
2020	19.3	9.0	86.0	114.3	120	95.3%
2021	19.3	9.0	86.0	114.3	120	95.3%
<i>Main Line</i>						
<i>Historical:</i>						
2014 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
2015	35.2	8.0	12.4	55.6	60	92.7%
2016	27.7	3.6	24.4	55.7	60	92.8%
2017 ⁽¹⁾	27.1	5.0	22.5	54.6	60	91.0%
<i>Forecasted:</i>						
2017	28.0	3.0	25.0	56.0	60	93.3%
2018	28.0	3.0	25.0	56.0	60	93.3%
2019	28.0	3.0	25.0	56.0	60	93.3%
2020	28.0	3.0	25.0	56.0	60	93.3%
2021	28.0	3.0	25.0	56.0	60	93.3%

Source: Management

(1) Average year to date occupancy through May 31, 2017.

(2) Prior to Main Line affiliation with WEL

Other Revenue

Other revenue is generated from home health services provided by MRHP, additional resident meals and snacks, catering, additional laundry and maintenance services, guest meals, guest apartment rentals, and other miscellaneous sources. These revenues are assumed to increase 2.0 percent annually beginning January 1, 2018 and throughout the remainder of the forecast period.

Investment Income

Management has assumed a 2.0 percent annual rate of return on the Obligated Group's unrestricted cash and investments, assets whose use is limited. Management has assumed a 1.0 percentage average annual rate of return on trustee-held funds.

Summary of Operating Expense Assumptions

Operating expenses are estimated by Management based on its experience at each Community and with the development and operation of other similar retirement communities. Staff salaries and benefits are based on prevailing local salary and wage rates and are assumed to increase 2.0 percent annually beginning January 1, 2018 and throughout the remainder of the forecast period.

The following table summarizes the assumed staffing levels for all departments.

Table 21
Schedule of Staffing Levels (FTEs) – as of April 30, 2017

Department	Pennypack	Doylestown	Upper		Main	WEL/ WELF	Total
			Moreland	Stapeley	Line		
Administration & Other	11.0	18.0	12.0	13.0	22.0	31.0	107.0
Resident Services	27.0	25.0	7.0	30.0	28.0	1.0	118.0
Dining Services	21.0	24.0	8.0	13.0	27.0	2.0	95.0
Assisted Living	9.0	12.0	5.0	15.0	7.0	-	48.0
Nursing	76.0	30.0	-	63.0	24.0	-	193.0
Total FTEs	144.0	109.0	32.0	134.0	108.0	34.0	561.0

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees and other miscellaneous expenses. The cost of these non-salary operating expenses is assumed to increase 2.0 percent annually throughout the forecast period.

Assets Limited as to Use

UMB Bank, N.A., as the Bond Trustee and the Master Trustee, is assumed to maintain the following funds and accounts for the Series 2017 Bonds.

- (1) Bond Fund, which contains the bond principal and interest payments to be used for payment of debt service on the Series 2017 Bonds.
- (2) Project Fund, to be funded at closing from the Series 2017 Bonds proceeds, to be used to pay for the Main Line Renovation and future capital expenditures at the Communities.
- (3) The Debt Service Reserve Fund is assumed to be funded with proceeds to be received from the closing of the Series 2017 Bonds.

The Obligated Group maintains the following restricted accounts:

- (1) *Refund Reserve Fund*, assumed to be funded with proceeds to be received from the closing of the Series 2017 Bonds to be used to pay for future entrance fee refunds. According to Management, approximately \$7,600,000 of Series 2017 Bond proceeds will be used to fund future refunds of refundable entrance fees and approximately 5,000,000 of Series 2017 Bond proceeds will be used to fund future refunds of unamortized non-refundable entrance fees.

Table 22
Refund Reserve Fund
(In Thousands)

Years Ending December 31,	2017	2018	2019	2020	2021
Beginning balance	\$ -	\$ 10,041	\$ 8,332	\$ 6,275	\$ 4,068
Proceeds from Series 2017 Bonds	12,600	-	-	-	-
Refunds funded – refundable contracts	(1,359)	(1,309)	(1,157)	(1,007)	(803)
Refunds funded – non-refundable contracts	(1,200)	(400)	(900)	(1,200)	(1,300)
Ending balance	\$ 10,041	\$ 8,332	\$ 6,275	\$ 4,068	\$ 1,965

Source: Management

- (2) *Statutory Liquid Reserves*, to satisfy the provisions of Section 9 of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82), which require Pennypack, Doylestown, Upper Moreland, Stapeley, and Main Line to maintain a statutory minimum liquid reserve as of year end that is equal to the greater of 10 percent of its individual total projected operating expenses, excluding depreciation and amortization, for the next twelve months, or its debt service requirements allocable to its residents under continuing care contracts.

Property and Equipment and Depreciation Expense

Management anticipates that the Obligated Group is to incur routine capital additions during the forecast period that are to be capitalized as property and equipment. Depreciation expense for all capital assets is computed based on the straight-line method for buildings and equipment over estimated average useful lives of 40 and 20 years, respectively. The Obligated Group's property and equipment costs, net of accumulated depreciation, during the forecast period are summarized in the table below.

Table 23
Schedule of Property and Equipment
(In Thousands)

Years Ending December 31,	2017	2018	2019	2020	2021
Property and equipment, gross					
Beginning balance	\$ 170,558	\$ 179,249	\$ 193,198	\$ 195,618	\$ 197,688
Construction costs – Main Line Renovation	5,000	10,000	-	-	-
Capitalized interest – Main Line Renovation	321	1,029	-	-	-
Routine capital expenditures	3,370	2,920	2,420	2,070	2,070
Property and equipment, gross	\$ 179,249	\$ 193,198	\$ 195,618	\$ 197,688	\$ 199,758
Accumulated depreciation	\$ (81,509)	\$ (86,412)	\$ (91,902)	\$ (97,530)	\$ (103,280)
Property and equipment, net ending balance	\$ 97,740	\$ 106,786	\$ 103,716	\$ 100,158	\$ 96,478

Source: Management

Debt and Interest Expense

As of December 31, 2016, the Obligated Group members had approximately \$73,285,000 of outstanding Existing Debt.

Series 2005 Bonds – WEL Obligated Group

As of December 31, 2016, approximately \$28,705,000 of the Series 2005 Bonds – WEL Obligated Group remained outstanding. The outstanding Series 2005 Bonds – WEL Obligated Group are comprised of unrated tax-exempt variable rate bonds, with an assumed interest rate not to exceed 75 percent of 30-day LIBOR rate, plus 2.27 percent. Interest on the Series 2005 Bonds – WEL Obligated Group is payable monthly. Principal on the Series 2005 Bonds – WEL Obligated Group is paid annually on October 1, with a final maturity on October 1, 2032. Management assumes that no principal payments will be paid on the Series 2005 Bonds – WEL Obligated Group during fiscal year 2017 and that approximately \$28,705,000 of the Series 2005 Bonds – WEL Obligated Group would be refunded upon the closing of the Series 2017 Bonds.

Series 2005 Bonds - Stapeley

As of December 31, 2016, approximately \$2,727,000 of Series 2005 Bonds – Stapeley remained outstanding. The outstanding Series 2005 Bonds – Stapeley are comprised of non-rated tax-exempt fixed rate bonds, at coupon rates ranging from 5.00 percent to 5.125 percent per annum. Interest on the Series 2005 Bonds – Stapeley is payable on January 1 and July 1 of each year. Principal on

the Series 2005 Bonds – Stapeley is paid annually on January 1 of each year with a final maturity on January 1, 2035. Management assumes that approximately \$345,000 of principal will be paid on the Series 2005 Bonds – Stapeley during fiscal year 2017 and that approximately \$2,382,000 of the Series 2005 Bonds – Stapeley would be refunded upon the closing of the Series 2017 Bonds.

Series 2008 Bonds - Pennypack

As of December 31, 2016, approximately \$18,120,000 of 2008 Bonds - Pennypack remained outstanding. The outstanding 2008 Bonds - Pennypack are comprised of unrated tax-exempt variable rate bonds, with an assumed interest rate not to exceed 75 percent of 30-day LIBOR rate, plus 2.25 percent. Interest on the 2008 Bonds - Pennypack is payable monthly. Principal on the 2008 Bonds - Pennypack is paid annually on January 1, with a final maturity on January 1, 2031. Management assumes that approximately \$430,000 of principal will be paid on the 2008 Bonds - Pennypack during fiscal year 2017 and that approximately \$17,690,000 of the 2008 Bonds - Pennypack would be refunded upon the closing of the Series 2017 Bonds.

Series 2011 Bonds - Stapeley

As of December 31, 2016, approximately \$8,710,000 of Series 2011 Bonds – Stapeley remained outstanding. The outstanding Series 2011 Bonds – Stapeley are comprised of unrated tax-exempt variable rate bonds, with an assumed interest rate not to exceed 30-day LIBOR rate, plus 2.50 percent. Interest on the Series 2011 Bonds – Stapeley is payable monthly. Principal on the Series 2011 Bonds – Stapeley is paid annually on January 1, with a final maturity on January 1, 2038. Management assumes that no principal payments will be paid on the Series 2011 Bonds – Stapeley during fiscal year 2017 and that approximately \$8,710,000 of the Series 2011 Bonds – Stapeley would be refunded upon the closing of the Series 2017 Bonds.

2009 Bank Loan – Main Line

As of December 31, 2016, approximately \$6,123,000 of the 2009 Bank Loan – Main Line remained outstanding. The outstanding 2009 Bank Loan – Main Line bears interest at fixed rate of 3.45 percent per annum. Interest on the 2009 Bank Loan – Main Line is payable monthly. Principal on the 2009 Bank Loan – Main Line is payable beginning June 2, 2018. Management assumes that no scheduled principal payments will be paid on the 2009 Bank Loan – Main Line during fiscal year 2017 and that approximately \$6,123,000 of the 2009 Bank Loan – Main Line would be repaid upon the closing of the Series 2017 Bonds.

2011 Term Loan – Stapeley

As of December 31, 2016, approximately \$8,900,000 of the 2011 Term Loan - Stapeley remained outstanding. The outstanding 2011 Term Loan – Stapeley bears interest at tiered variable rates, not to exceed 75 percent of 30-day LIBOR rate, plus 2.27 percent. Interest on the Series 2011 Term Loan – Stapeley is payable monthly. Principal on the 2011 Term Loan – Stapeley is paid annually on January 1, with a final assumed maturity on January 1, 2038. Management assumes that approximately \$320,000 of principal will be paid on the 2011 Term Loan – Stapeley during fiscal year 2017 and that approximately \$8,580,000 of the 2011 Term Loan – Stapeley would be repaid upon the closing of the Series 2017 Bonds.

Series 2017 Bonds

The Philadelphia Authority for Industrial Development intends to issue the Series 2017 Bonds, the proceeds of which are to be lent to the Obligated Group to refund the outstanding Existing Debt. The Series 2017A Bonds are assumed to consist of \$100,295,000 of rated, non-investment grade, tax-exempt fixed rate bonds, assumed be issued at a premium, with an assumed coupon rate of 5.10 percent per annum. Interest on the Series 2017A Bonds is assumed to be payable semi-annually on January 1 and July 1 of each year beginning January 1, 2018. Principal on the Series 2017A Bonds is assumed to be payable annually commencing July 1, 2030 with a final maturity on July 1, 2049.

The Series 2017B Bonds are assumed to consist of \$26,320,000 of rated, non-investment grade, taxable fixed rate bonds, with an assumed assumed coupon rates ranging from 5.50 percent to 6.50 percent per annum. Interest on the Series 2017B Bonds is assumed to be payable semi-annually on January 1 and July 1 of each year beginning January 1, 2018. Principal on the Series 2017B Bonds is assumed to be payable annually commencing July 1, 2018 with a final maturity on July 1, 2030.

The following table presents the assumed annual debt service during the forecast period.

Table 24
Annual Debt Service – Existing Debt and Series 2017 Bonds
(in Thousands)

Year Ending December 31,	Existing Debt		Series 2017 Bonds		Total Debt Service ⁽¹⁾
	Principal	Interest	Principal	Interest	
2017 ⁽¹⁾	\$ 1,095	\$ 1,126	\$ -	\$ -	\$ 2,221
2018	-	-	1,130	6,184	7,314
2019	-	-	1,570	6,684	8,254
2020	-	-	1,655	6,598	8,253
2021	-	-	1,750	6,507	8,257
Thereafter	-	-	120,510	110,797	231,307
Total ⁽¹⁾	\$ 1,095	\$ 1,126	\$ 126,615	\$ 136,770	\$ 265,606

Source: Management and the Underwriter

(1) The Maximum Annual Debt Service Requirement on the Series 2017 Bonds is assumed to be approximately \$8,267,000.

Interest Rate Swap

Management intends to finance the termination of the interest rate swap with the proceeds from the Series 2017 Bonds. The estimated value of the interest rate swap at Series 2017 Bond closing is approximately \$2,616,000. For purposes of the forecast, Management has recognized an unrealized gain of approximately \$201,000 and recorded a swap termination amount of \$2,616,000 during the fiscal year ending December 31, 2017.

Early Extinguishment of Debt

The losses on the early extinguishment of the Existing Debt are reflected as operating expense items in the Forecasted Statements of Operations during the fiscal years ending December 31, 2017. The loss on the early extinguishment of debt resulting from the refunding of the Existing Debt is approximately \$3,145,000 and is calculated as the unamortized deferred issuance costs and original issue premium associated with the Existing Debt.

Annuities Payable

The Corporation receives contributions under a charitable gift annuity program and makes quarterly payments to annuitants (the “Annuities Payable”). The following table presents the assumed payments related to the Annuities Payable during the forecast period.

Table 25 Annuities Payable (In Thousands)					
Years Ending December 31,	2017	2018	2019	2020	2021
Payments	\$ 36	\$ 36	\$ 34	\$ 28	\$ 24

Source: Management

Related Party Receivables

As of December 31, 2016, the Obligated Group had outstanding receivables due from Burholme and Burholme SR (the “Related Parties”) of approximately \$4,354,000, associated with the ongoing financial support provided to the Related Parties. Management assumes that the receivables from the Related Parties would remain outstanding during the forecast period.

Current Assets and Current Liabilities

Operating expenses exclude amortization, depreciation, other non-cash expenses and interest expense. Operating revenues include the monthly and daily services fees for each Community and other revenue. Working capital components have been estimated based on industry standards and Management’s historical experience as follows:

Table 26 Working Capital – Days on Hand		
Accounts receivables, net	28	days operating revenues
Other receivables	2	days operating revenues
Prepaid expenses	6	days operating expenses
Accounts payable	19	days operating expenses
Accrued expenses	27	days operating expenses

Source: Management

**INDEPENDENT ACCOUNTANTS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Directors
Wesley Enhance Living Obligated Group
Warminster, Pennsylvania

Our examination of the financial forecast presented in the preceding section of this document was made for the purpose of forming an opinion on whether the financial forecast is presented in conformity with AICPA guidelines for the presentation of a forecast and that the underlying assumptions provide a reasonable basis for the forecast. The study was undertaken to evaluate the Obligated Group's ability to generate sufficient funds to meet its operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the proposed Series 2017 Bonds based on Management's assumptions of future operations of the Obligated Group. However, future events could occur which could adversely affect the financial forecast of the Obligated Group and its ability to meet debt service requirements. These factors include, among others, legislation and regulatory action, changes in assumptions concerning occupancy, the rate of entrance fee producing unit turnover, per diem rates, financing and operating costs.

The accompanying supplemental information is presented for purposes of providing additional analysis and is not a required part of the financial forecast nor considered an all-inclusive list. Such information has not been subjected to procedures applied in the examination of the financial forecast and, accordingly, we express no opinion or any other form of assurance on it.

The following supplemental analyses are presented for the purpose of demonstrating the significance of certain assumptions and are not to be considered an all-inclusive list.

Dixon Hughes Goodman LLP

Atlanta, Georgia
July 14, 2017

Sensitivity Analysis I – Obligated Group Operating Revenue

Operating revenue can vary depending upon economic conditions, the competitive environment, and Management's ability to execute the marketing and sales plan.

Sensitivity Analysis I

The data presented in the table below demonstrates the impact if independent living revenue from the Communities was reduced by 20 percent in fiscal year 2021.

Table 27
Sensitivity Analysis I – Operating Revenue
Estimated Financial Information
For the Year Ending December 31, 2021
(In Thousands, Except for Ratios)

	As Forecasted	Sensitivity I ⁽¹⁾⁽²⁾
<i>Operating Revenue:</i>		
Independent living	\$ 17,276	\$ 13,821
Personal care	\$ 10,232	\$ 10,232
Skilled nursing, net of contractual allowances	\$ 33,141	\$ 33,141
Subtotal	\$ 60,649	\$ 57,194
Long-Term Debt Service Coverage Ratio	1.61x	1.18x
Days Cash on Hand	274	258
Cash to Debt Ratio	0.54x	0.52x

Source: Management

- (1) For purposes of the sensitivity analysis, operating revenue was reduced without a corresponding adjustment to operating expenses. In addition, no adjustments were made to the repayment of debt.
- (2) For purposes of the sensitivity analysis, the assumed schedule for the repayment of debt remained as originally forecasted.

Sensitivity Analysis II – Obligated Group Entrance Fee Cash Flow

Actual Entrance Fee cash flow receipts from turnover may vary from Management's assumptions included in the forecast in regard to either Entrance Fee pricing or the number of turnover residents. These assumptions are especially sensitive to variation and may or may not occur evenly throughout the forecast period.

Sensitivity Analysis II

The data presented in the table below is provided to demonstrate the impact of assuming a 25 percent reduction in Entrance Fees received in each year of the forecast period. For purposes of this analysis, the number of turnover Entrance Fees received and number and amount of Entrance Fee refunds paid have not been adjusted.

Table 28
Sensitivity Analysis – II
Estimated Financial Information
For the Year Ending December 31, 2021
(In Thousands, Except for Ratios)

	As Forecasted	Sensitivity II ⁽¹⁾
Turnover Entrance Fee Received	\$ 11,857	\$ 8,893
Entrance Fee Refunds Paid	(2,084)	(2,084)
Release of Refund Reserve Fund	2,103	2,103
Net Entrance Fees Received	\$ 11,876	\$ 8,912
Long-Term Debt Service Coverage Ratio	1.61x	1.24x
Days Cash on Hand	274	259
Cash to Debt Ratio	0.54x	0.52x

Source: Management

(1) For purposes of the sensitivity analysis, the assumed schedule for the repayment of debt remained as originally forecasted.

Sensitivity Analysis III – Obligated Group Expense and Revenue Control

Management assumes operating expenses increase over time, with a corresponding ability to increase per monthly or daily rates and charges. Management's ability to raise revenues may vary from the forecast assumptions. Management has assumed certain operating revenues would increase two percent beginning January 1, 2018, and annually thereafter. Additionally, Management has assumed expenses would increase two percent beginning January 1, 2018 and annually thereafter.

The data presented in the table below are provided to demonstrate the impact on the overall financial performance of the Obligated Group assuming the operating expense inflation increases from two percent to three percent while maintaining the assumed two percent operating revenue inflation increase.

Table 29
Sensitivity Analysis – III
Estimated Financial Information
For the Year Ending December 31, 2021

	As Forecasted	Sensitivity III ⁽¹⁾
<i>Inflation Percentage:</i>		
Revenues Inflation (January 1, 2018 and annually thereafter)	2.0%	2.0%
Expenses Inflation (January 1, 2018 and annually thereafter)	2.0%	3.0%
Long-Term Debt Service Coverage Ratio	1.61x	1.53x
Days Cash on Hand	274	266
Cash to Debt Ratio	0.54x	0.53x

Source: Management

(1) For purposes of the sensitivity analysis, the assumed schedule for the repayment of debt remains as originally forecasted.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT

The following are definitions of certain terms used in, and summaries of certain provisions of, the Bond Indenture and Loan Agreement. The summaries set forth below 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 for the complete statements of the provisions thereof. Copies of the Bond Indenture and Loan Agreement will be on file at the principal corporate trust office of the Bond Trustee.

The principal terms of the Bonds, including provisions for payment and redemption (including the option granted to the Borrowers to purchase any Bonds in lieu of optional redemption), are described under “THE BONDS” in the front portion of the Official Statement. Certain additional terms used herein are defined in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

“*2017 Capital Projects*” means the capital projects of the Borrowers to be financed or refinanced with a portion of the proceeds of the Bonds as more particularly described under the heading “PURPOSE OF THE BONDS AND PLAN OF FINANCING” in the front portion of this Official Statement.

“*2017 Project*” means the project for the financing or refinancing of which the Bonds are being issued, as described under the heading “PURPOSE OF THE BONDS AND PLAN OF FINANCING” in the front portion of this Official Statement.

“*Act*” means the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, 73 P.S. §§ 371-386, as amended.

“*Administrative Expenses*” means all expenses of the Authority which are properly chargeable as administrative expenses, including, without limitation, the fees and expenses of the Authority, including the Authority’s employees, if any, and any professional advisors to the Authority reasonably necessary and fairly attributable, directly or indirectly, to the 2017 Project or the Bonds, and such other expenses as may be incurred by the Authority for such items as maintenance, rent, overhead and the like or in respect of liabilities for which the Borrowers are obligated to provide indemnification under the Loan Agreement.

“*Authority*” means the Philadelphia Authority for Industrial Development, a public instrumentality of the Commonwealth of Pennsylvania and a public body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania.

“*Authority Board*” means the governing body of the Authority.

“*Authorized Denominations*” means \$5,000 or any integral multiple thereof.

“*Authority Representative*” means any person or persons authorized by resolution of the Authority, a certified copy of which has been delivered to the Bond Trustee, to perform any such act or execute such document.

“Bond Counsel” means an attorney or firm of attorneys, selected by the Borrowers, having favorable skill and reputation and who shall be nationally recognized as having expertise in tax-exempt and governmental financings, including financings by or on behalf of nonprofit corporations.

“Bond Indenture” means the Bond Indenture dated as of August 1, 2017, between the Authority and the Bond Trustee, pursuant to which the Bonds are issued, as the same may be amended or supplemented from time to time.

“Bond Register” means a register, to be kept by the Bond Trustee, subject to such reasonable regulations as it may prescribe, in which the Authority shall provide for the registration and the transfer of Bonds.

“Bond Registrar” means the Bond Trustee, which shall serve as Bond Registrar for the Bonds.

“Bond Trustee” means UMB Bank N.A., as trustee under the Bond Indenture or its successor in the trust created thereunder.

“Bonds” means the Series A Bonds and the Series B Bonds, as applicable.

“Book Entry Bonds” means all Bonds for which the Securities Depository or its nominee is the Owner.

“Borrowers” means Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley) and Martins Run (d/b/a Wesley Enhanced Living Main Line), each a Pennsylvania nonprofit corporation.

“Borrower Representative” means any of the President or any Vice President of the Obligated Group Agent and any other person or persons at the time designated to act on behalf of the Borrowers in matters relating to the Bond Indenture and the Loan Agreement as evidenced by a written certificate furnished to the Authority and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Obligated Group Agent by its President or any Vice President.

“Business Day” means any day other than a Saturday, Sunday or other day on which banks in New York, New York or the jurisdiction of the Designated Office of the Bond Trustee, the Master Trustee, Bond Registrar or payment office of the paying agent are required or permitted by law or executive order to close or the New York Stock Exchange is closed.

“Certificate” means a written statement signed by or on behalf of the Person charged with responsibility therefor.

“Clearing Fund” means a special fund established by the Bond Trustee under the Bond Indenture into which there shall be deposited the proceeds of the sale of the Bonds.

“Closing Statement” means the closing statement delivered at the time of settlement of the Bonds, signed on behalf of the Authority and approved by the Borrowers, specifying the deposits to be made with the proceeds of the Bonds and the payments to be made with such proceeds, including the Persons to which each payment is to be made and the amount of each such payment.

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

“*Communities*” means, collectively, the continuing care facilities owned and operated by the Borrowers.

“*Cost*” or “*Costs*” in connection with the 2017 Project, means all expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the 2017 Project, including, but without limiting the generality of the foregoing (but subject in all cases to the provisions of the Act):

- (a) Amounts payable to contractors and costs incidental to the award of contracts;
- (b) Cost of labor, facilities and services furnished by or for the Borrowers or the Authority and their employees or others, materials and supplies purchased by the Borrowers or the Authority or others, and permits and licenses obtained by the Borrowers, the Authority or others;
- (c) Engineering, legal, accounting and other professional and advisory fees;
- (d) Premiums for surety bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (e) Interest expense during construction;
- (f) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (g) Cost of acquisition or refurbishment of capital equipment;
- (h) Cost of acquisition of real estate, construction and prior construction and/or site costs and improvements performed by the Borrowers in anticipation of the 2017 Project; and
- (i) Amounts due in respect of the financing of any prior indebtedness incurred to finance the 2017 Project or to refund any Bonds.

Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Bond Indenture, such payment may be made by way of reimbursement to the Borrowers, the Authority or others who have paid the same.

“*Counsel*” means an attorney-at-law or law firm (which may be counsel to the Authority, the Borrowers, the Bond Trustee or any other applicable party) admitted to practice before the highest court of any state (or the District of Columbia) and not unsatisfactory to the Authority or the Bond Trustee.

“*Debt Service Fund*” means each of the funds established for the payment of the Bonds of each series established pursuant to the Bond Indenture.

“*Debt Service Fund Account*” means, as applicable, the Series A Bonds Debt Service Account and the Series B Bonds Debt Service Account established as part of the Debt Service Fund for the payment of the Series A Bonds and the Series B Bonds, respectively.

“Debt Service Reserve Fund” means each of the Series A Bonds Debt Service Reserve Fund and the Series B Bonds Debt Service Reserve Fund established in accordance with the Bond Indenture, securing payment of the Series A Bonds and the Series B Bonds, respectively.

“Designated Office” means, with respect to the Bond Trustee, the office specified in the Bond Indenture, or such other address as may be specified in writing by the Bond Trustee, for purpose of notices to be given and actions to be taken under the Bond Indenture.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the New York Banking Law, and any successor company. References to DTC herein may include, as the context may require, its nominee, Cede & Co.

“Eastern Time” means the time given on any given day in Eastern Standard Time or Eastern Daylight Savings Time, as applicable.

“Electronic Means” means telecopy, facsimile transmission, or, if approved in writing by the Bond Trustee hereafter, e-mail transmission or other similar electronic means of communication, in each case capable of being evidenced by a tangible copy.

“Entrance Fee Refund Reserve Fund” means the Entrance Fee Refund Reserve Fund established under the Bond Indenture and described herein under “THE BOND INDENTURE – Entrance Fee Refund Reserve Fund.”

“Event of Default” means, (i) with respect to the Bond Indenture, any of the events described under “THE BOND INDENTURE -- Default and Remedies” herein, or (ii) with respect to the Loan Agreement, any of the events described under “THE LOAN AGREEMENT -- Events of Default and Remedies” herein.

“Facilities” means the land, buildings, acquisition, construction, renovation and/or improvements, equipment and other property of the Borrowers, the acquisition and/or construction of which is to be financed or refinanced in whole or in part with the proceeds of the Bonds.

“Favorable Opinion of Bond Counsel” means a written opinion of Bond Counsel to the effect that the facts or circumstances in question (i) are authorized under the Bond Indenture and (ii) will not adversely affect the validity of the Bonds or the exclusion from gross income for federal tax purposes of the interest on the Series A Bonds.

“Fiscal Year” means the fiscal year of the Obligated Group which shall be the period commencing on January 1 of any year and ending on December 31 of such year, unless the Bond Trustee is notified in writing by the Obligated Group Agent of a change in such period, in which case, the Fiscal Year shall be the period set forth in such notice; provided, however, that each Member of the Obligated Group shall have the same Fiscal Year.

“Government Obligations” means (1) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or (2) evidences of ownership in specified direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized under the laws of the United States of America or any state thereof as custodian.

“Interest Payment Date” means for each series of the Bonds, January 1 and July 1 of each year, commencing January 1, 2018.

“Investment Securities” means, if and to the extent the same are at the time legal for investment of funds held under the Bond Indenture, dollar denominated investments in any of the following:

- (a) Government Obligations;
- (b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest Rating Categories by any Rating Agency;
- (c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation or the Federal Farm Credit Bank) which is either (i) at the time of purchase, rated in one of the two highest Rating Categories by any Rating Agency, or (ii) backed by the full faith and credit of the United States of America;
- (d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Master Trustee or the Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term Rating Categories by any Rating Agency, and which mature not more than 365 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in one of the two highest short-term Rating Categories by any Rating Agency, and which matures not more than 270 days after the date of purchase;
- (f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest Rating Categories;
- (g) asset-backed securities, commercial mortgage-backed securities, or mortgage-backed securities which are, at the time of purchase, rated by any Rating Agency in any of the two highest Rating Categories;
- (h) investment agreements with banks that at the time the agreement is executed are at the time of purchase rated in one of the two highest Rating Categories by any Rating Agency or investment agreements with non-bank financial institutions, provided that (i) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time the agreement is executed in one of the two highest Rating Categories for obligations of that nature; or (ii) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is at the time of purchase rated by any Rating Agency in one of the two highest Rating Categories assigned to short-term indebtedness by any Rating Agency. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest Rating Categories, then investment agreements with the non-bank financial institution will be permitted;
- (i) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including the Bond Trustee or its affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a

custodial agent of the Bond Trustee has possession of the collateral and the collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee or the Bond Trustee's agent;

(j) investments in any money market fund rated (at the time of purchase) in the highest Rating Category for this type of investment by any Rating Agency, including money market mutual funds from which the Bond Trustee or its affiliates derive a fee for investment advisory or other services to the fund; and

(k) shares in any investment company, fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Investment Securities as defined in paragraphs (a) through (i) above, including mutual funds from which the Bond Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

The Bond Trustee shall be entitled to assume that any investment which at the time of purchase is an Investment Security remains an Investment Security thereafter, absent receipt of written notice or information to the contrary.

For the purposes of this definition, obligations issued or held in the name of the Bond Trustee (or in the name of Issuer and payable to the Bond Trustee) in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Bond Trustee.

"Loan Agreement" means the Loan Agreement dated as of August 1, 2017, among the Authority and the Borrowers, whereby the Authority will loan the proceeds of the Bonds to the Borrowers, as the same may be amended or supplemented from time to time as provided therein.

"Loan Payments" means all amounts payable by the Borrowers to the Authority (except those representing the Administrative Expenses of the Authority) or to the Bond Trustee, as the assignee of the Authority's interests in the Loan Agreement and the Series 2017 Master Notes, under the Loan Agreement and the Series 2017 Master Notes.

"Master Indenture" means a Master Trust Indenture dated August 1, 2017, as supplemented by Supplemental Master Trust Indenture No. 1 thereto dated August 1, 2017, by and among the Borrowers, Wesley, Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) and Martins Run Home Partners, as the members of the Obligated Group described therein, and the Master Trustee, as the same may be amended and supplemented from time to time.

"Master Trustee" means UMB Bank N.A., acting as master trustee under the Master Indenture, and its successors and assigns.

"Obligated Group" means, initially, the Borrowers, Wesley and Martins Run Home Partners, as the Members of the Obligated Group under the Master Indenture, together with those additional Persons from time becoming Members of the Obligated Group under the Master Indenture.

"Obligated Group Agent" means, initially, Wesley, as the Obligated Group Agent under the Master Indenture, or such other Member of the Obligated Group that may be acting as the Obligated Group Agent under the Master Indenture.

“Outstanding,” means, as to the Bonds, all Bonds authenticated and delivered under the Bond Indenture except:

- (a) any Bonds theretofore cancelled or required to be cancelled under the Bond Indenture;
- (b) any Bonds for the payment, redemption, or purchase of which cash or non-callable Government Obligations, the principal of and interest on which, when due, will provide sufficient money to fully pay such Bonds or any portion thereof in accordance with the terms thereof, shall have been or shall be concurrently deposited with the Bond Trustee; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Bond Trustee or other appropriate party shall have been made therefor, and that if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; or
- (c) any Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Bond Indenture.

“Owner” means each Registered Owner.

“Payment Date” means any Interest Payment Date or any date on which the principal of any Bonds is due at maturity or by mandatory sinking fund redemption prior to maturity.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

“Project Fund” means the funds established under the Bond Indenture for the payment by the Bond Trustee of the costs of the 2017 Capital Projects as described herein under “THE BOND INDENTURE -- Project Fund.”

“Qualified Rating” means a rating of at least BBB, or equivalent, from any Rating Agency.

“Rating Agency” means each of the following: (a) Moody’s Investors Service, Inc.; (b) Standard and Poor’s Ratings Group, a Division of the McGraw Hill Companies; (c) Fitch Ratings; and (d) if any of the foregoing shall not, at the particular time, provide rating services, any nationally recognized rating agency designated by the Obligated Group Agent.

“Rating Category” means any of the principal rating categories assigned to investment securities or credit facilities by any Rating Agency, without regard to any gradation or distinction within any Rating Category (such as may be identified by numerical symbols or the symbols “+” or “-”).

“Redemption Price” where used with respect to a Bond, means the principal amount of such Bond plus the premium, if any, payable upon redemption thereof pursuant to the Bond Indenture.

“Registered Owner” means the Person or Persons in whose name or names the Bond is registered on the Bond Register kept in accordance with the Bond Indenture and the Bonds.

“Regular Record Date” means the 15th day (whether or not a Business Day) of the calendar month immediately preceding each Interest Payment Date (i.e., each June 15 and December 15); provided, however, that the Regular Record Date for all Book Entry Bonds shall be the Bond Trustee’s close of business on the Business Day preceding each Interest Payment Date.

“Reserve Fund Assets” means any combination of cash or Investment Securities maintained from time to time in the Debt Service Reserve Fund.

“Reserve Fund Requirement” means: (i) with respect to the Series A Bonds Debt Service Reserve Fund, the sum of \$6,130,045.24; and (ii) with respect to the Series B Bonds Debt Service Reserve Fund, the sum of \$1,903,704.76; or, in each case, if lesser, the maximum annual requirement for the payment of the principal (including any scheduled mandatory redemption) of and interest on the Bonds of each series, as applicable, in any future period of 12 months ending on July 1 of each year.

“Reserved Rights” means the retained rights of the Authority under the Bond Indenture (i) to give all approvals and consents permitted or required under the Loan Agreement to be given by the Authority; (ii) to execute supplements and amendments to the Loan Agreement to the extent and in the manner permitted by the Bond Indenture and by the Loan Agreement; (iii) to receive all notices required to be given to the Authority under the Loan Agreement; (iv) concurrently with the Bond Trustee, to pursue the remedies described in the Loan Agreement; and (v) to receive all amounts payable to the Authority constituting fees, reimbursement of expenses and indemnification due to it under the Loan Agreement.

“Resident Refund Obligations” means any residence and care agreement of the Borrowers that provides for refundable entrance fees.

“Securities Depository” means DTC or other Person registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934, as amended, or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for purposes of Section 17A thereof.

“Series 2017 Master Notes” means the Series 2017 Master Notes issued under the Master Indenture to evidence and secure the payment obligations of the Borrowers in respect of the Series A Bonds and the Series B Bonds, as described in the front portion of this Official Statement.

“Series A Bonds” means the Authority’s Senior Living Facilities Revenue Bonds, Series 2017A (Tax-Exempt), in the aggregate principal shown on the cover page of the Official Statement.

“Series A Bonds Debt Service Account” means the Series A Bonds Debt Service Account established as part of the Debt Service Fund for the payment of the Series A Bonds established under the Bond Indenture as described herein under “THE BOND INDENTURE – Debt Service Fund.”

“Series A Bonds Debt Service Reserve Fund” means the Series A Bonds Debt Service Reserve Fund securing payment of the Series A Bonds under the Bond Indenture as described herein under “THE BOND INDENTURE – Debt Service Reserve Funds.”

“Series A Bonds Sinking Fund Payment Date” means each date specified for the mandatory sinking fund redemption of the Series A Bonds as described under “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption” in the forepart of this Official Statement.

“Series A Bonds Sinking Fund Subaccount” means the Series A Bonds Sinking Fund Subaccount established as part of the Series A Bonds Debt Service Account for the retirement of the Series A Bonds by mandatory sinking fund redemption.

“Series B Bonds” means the Authority’s Senior Living Facilities Revenue Bonds, Series 2017B (Federally Taxable), in the aggregate principal amount shown on the cover page of the Official Statement.

“Series B Bonds Debt Service Account” means the Series B Bonds Debt Service Account established as part of the Debt Service Fund for the payment of the Series B Bonds established under the Bond Indenture as described herein under “THE BOND INDENTURE – Debt Service Fund.”

“Series B Bonds Debt Service Reserve Fund” means the Series B Bonds Debt Service Reserve Fund for the payment of the Series B Bonds established under the Bond Indenture as described herein under “THE BOND INDENTURE – Debt Service Reserve Funds.”

“Series B Bonds Sinking Fund Payment Date” means each date specified for the mandatory sinking fund redemption of the Series B Bonds as described under “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption” in the forepart of this Official Statement.

“Series B Bonds Sinking Fund Subaccount” means the Series B Bonds Sinking Fund Subaccount established as part of the Series B Bonds Debt Service Account for the retirement of the Series B Bonds by mandatory sinking fund redemption.

“Sinking Fund Account” means each Sinking Fund Account established as part of each Debt Service Fund for the retirement of the Series A Bonds as provided in the Bond Indenture.

“Sinking Fund Payment Date” means each Series A Bonds Sinking Fund Payment Date and each Series B Bonds Sinking Fund Payment Date, as applicable.

“Sinking Fund Subaccount” means the Series A Bonds Sinking Fund Subaccount and the Series B Bonds Sinking Fund Subaccount established as part of the Debt Service Fund for the retirement of the Series A Bonds and the Series B Bonds, respectively, as described herein under “THE BOND INDENTURE – Debt Service Fund.”

“Special Record Date” for the payment of any defaulted interest means a date fixed by the Bond Trustee in accordance with the provisions of the Bond Indenture.

“Supplemental Indenture” means any supplement to the Bond Indenture authorized pursuant to the terms thereof.

“Trust Estate” means (a) the Loan Agreement, including, but not limited to, the present and continuing right to make claim for, collect and receive all sums of money payable or receivable thereunder or under the Bond Indenture, the exclusive right to bring action and proceeding thereunder or for the enforcement thereof, the exclusive right to grant consents, approvals and waivers and enter into amendments and to do any and all other things which the Authority is or may become entitled to do thereunder; and (b) the Loan Payments, together with, all right, title and interest of the Authority in and to the Series 2017 Master Notes and all its rights under the Master Indenture as holder of the Series 2017 Master Notes; and (c) all moneys and investments in the funds and accounts created under the Bond Indenture (including all income and receipts earned on the funds and accounts held by the Bond Trustee under the Bond Indenture except as otherwise set forth in the Bond Indenture), other than the Rebate Fund which shall be held in accordance with the provisions of the Bond Indenture; and (d) any and all other property rights and interests of any kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged or pledged to the Bond Trustee, or otherwise subject to the Bond Indenture, as and for additional security with the Bond Indenture, by the Borrowers or any other Person on its behalf or with its written consent or by the Authority or any other Person on its behalf or with its written consent, and the Bond Trustee is hereby authorized to receive

any and all property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

“*Wesley*” means Evangelical Services for the Aging (d/b/a Wesley Enhanced Living), a Pennsylvania nonprofit corporation.

THE BOND INDENTURE

The Bonds of each series will be issued under and are subject to the provisions of the Bond Indenture, to which reference is made for complete details of the terms of the Bonds. The following summarizes certain provisions of the Bond Indenture but is not to be regarded as a full statement thereof.

Pledge and Assignment

Under the Bond Indenture, the Authority pledges to the Bond Trustee all right, title and interest of the Authority in and to the Trust Estate (subject to the Reserved Rights) for the equal and ratable benefit of the Owners of the Bonds Outstanding thereunder, except as expressly provided in the Bond Indenture.

Disposition of the Proceeds of the Sale of the Bonds

Upon issuance of the Bonds, the Bond Trustee will deposit the proceeds of the Bonds received by it in a Clearing Fund established under the Bond Indenture. The Bond Trustee is directed to make transfers and payments from the settlement fund as instructed by the Borrowers and the Authority.

Place and Manner of Payment; Persons Entitled Thereto.

Interest on the Bonds will accrue at the rates described in this Official Statement, calculated on the basis of a 360-day year consisting of twelve 30-day months, and shall be paid as follows:

(i) Except as otherwise provided below, the interest payable on any Interest Payment Date will be paid to the Person in whose name such Bond is registered in the Bond Register as of the close of business of the Regular Record Date for such Interest Payment Date.

(ii) Interest shall be paid by check or draft mailed on the Interest Payment Date to each Owner at the address shown on the Bond Register maintained by the Bond Registrar.

(iii) Interest on any Bonds that is not paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Registered Owner on such Regular Record Date as provided in (i) above and will be paid instead to the Person in whose name the Bond is registered at the close of business on a Special Record Date established for the payment of such defaulted interest pursuant to the terms of such Bonds, such date to be not less than 10 days (whether or not a Business Day) prior to the date of proposed payment. The Bond Trustee shall, at the expense of the Borrowers, cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner as of the Business Day preceding the mailing date, at his address as it appears in the Bond Register, not less than 10 days prior to such Special Record Date (but in no event more than 30 days prior to the proposed payment date).

(iv) Interest on each Bond (or portion thereof) shall cease to accrue on the maturity date thereof or date fixed for the redemption thereof, provided in the case of redemption that proper

notice thereof has been given and provided in each case that there has been irrevocably deposited with the Bond Trustee an amount sufficient to pay the principal or Redemption Price thereof, as applicable, plus all unpaid interest accrued thereon to such date.

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Payment Office of the Bond Trustee. No payment of principal or Redemption Price shall be made on any Bond, unless and until such Bond is delivered to the Bond Trustee for cancellation. Notwithstanding the foregoing, interest on any Bonds and the Redemption Price of any Bonds redeemed by mandatory sinking fund redemption may be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated in writing by the Owner thereof in an aggregate principal amount of \$1,000,000 or more not less than 15 days prior to the Interest Payment Date or redemption date; provided, however, that in the case of the payment of the Redemption Price, any Bonds to be redeemed are presented to the Bond Trustee for cancellation and that the Bond Trustee's records with respect to such payment of the principal of any Bond shall be conclusive and binding on the Owner of any Bond so paid and each successive Owner thereof. Any such notice provided by an Owner in accordance with the preceding sentence may provide that it shall be effective for any and all future payment dates until otherwise specified in writing.

So long as the Bonds are issued as Book Entry Bonds, as described under "THE BONDS – Book-Entry Only System" in the front portion of this Official Statement, payment of the principal or Redemption Price of, and interest on, any series shall be paid in accordance with the depository procedures of the Securities Depository.

Project Fund

The Bond Trustee is required to establish a Project Fund under the Bond Indenture for the payment of the costs of the 2017 Capital Projects. Payment of the costs of the 2017 Capital Projects will be made from the Project Fund only upon receipt by the Bond Trustee of the requisitions, certifications and approvals required by the Bond Indenture or the Loan Agreement. The Project Fund will be funded initially in the amount described under "SOURCES AND USES OF FUNDS" in the forepart of this Official Statement.

Upon completion of the 2017 Capital Projects, any moneys remaining in the Project Fund are required to be (a) transferred into the Debt Service Fund to the extent of (but not in excess of) amounts which may be applied to pay the principal or Redemption Price of, and interest on, the Bonds due within one year of the completion date of the 2017 Capital Projects (as set forth in the certificate of a Borrower Representative), or (b) otherwise be retained in the Project Fund or transferred to another fund or account established under the Bond Indenture as directed in writing by a Borrower Representative, which direction are required to be accompanied by a Favorable Opinion of Bond Counsel.

Entrance Fee Refund Reserve Fund

The Bond Trustee is required to establish under the Bond Indenture an Entrance Fee Refund Reserve Fund for the purpose of paying refunds due to residents of the Communities under any Resident Refund Obligation. The Bond Trustee will deposit in the Entrance Fee Refund Reserve Fund, from the proceeds of the Series B Bonds, the amount specified in the Closing Statement delivered by the Authority and the Borrowers to the Bond Trustee in connection with the issuance of the Bonds.

The Bond Trustee shall make payments from the Entrance Fee Refund Reserve Fund only upon receipt of a requisition signed by a Borrower Representative. Each such requisition shall state: (i) the name and address of the Person to whom the payment is to be made (which may be a Borrower to the extent of

entrance fee refunds previously paid by such Borrower under any Resident Refund Obligation); (ii) the amount to be paid; (iii) the obligation on account of which the payment is to be made, showing the total obligation, any amount previously paid, and the balance due; (iv) that the obligation was properly incurred and is a proper charge against the Entrance Fee Refund Reserve Fund; and (v) that the amount requisitioned is due and unpaid or is to reimburse the Borrowers for amounts it has previously paid.

Upon the expiration and/or termination of all Resident Refund Obligations (as evidenced by a certificate of a Borrower Representative delivered to the Bond Trustee and the Authority), any moneys remaining in the Entrance Fee Refund Reserve Fund not otherwise to be reserved therein at the written direction of a Borrower Representative to pay remaining refundable entrance fee refunds will be paid to or upon the direction of the Borrowers as directed in writing by a Borrower Representative.

Debt Service Fund; Sinking Fund

The Bond Trustee shall establish a Debt Service Fund for the purpose of providing for the payment of the principal or Redemption Price of, and interest on, the Bonds when the same shall be due and payable. Within the Debt Service Fund, the Bond Trustee shall establish a separate Series A Bonds Debt Service Account and a Series B Bonds Debt Service Account for the purpose of allocating moneys received for deposit into the Debt Service Fund to the payment of the principal or Redemption Price of, and the interest on, the Series A Bonds and the Series B Bonds, respectively. The Bond Trustee shall make deposits into the applicable Debt Service Fund Account of: (A) the amount required to be deposited therein in respect of accrued interest on the Bonds of the corresponding series or any other amount, if any, delivered in connection with the initial issuance of the Bonds of such series; (B) all payments made by the Borrower for deposit therein with respect to the payment of the interest on, and the principal of, the Bonds pursuant to the Loan Agreement and the Series 2017 Master Notes; (C) any amounts required to be deposited therein from the Debt Service Reserve Fund as described under "Debt Service Reserve Funds" below; and (D) all other amounts with respect to the Bonds of each series required hereunder or pursuant to the Loan Agreement to be deposited therein. Moneys on deposit in the respective Debt Service Fund Account shall be applied to the payment of the principal or Redemption Price of, and interest on, the applicable series of Bonds.

The Bond Trustee shall establish, as part of each Debt Service Fund Account, a Sinking Fund Account for the retirement of the Bonds of the series to which such Debt Service Fund applies. On each Sinking Fund Date, there shall be transferred from each Debt Service Fund Account, as applicable, to the corresponding Sinking Fund Account the amount required to retire the Bonds of the applicable series and maturity subject to mandatory sinking fund redemption on such Sinking Fund Date. Before the 60th day prior to each Sinking Fund Date, the Authority, through (or at the direction of) the Obligated Group Agent, may do any one or more of the following: (a) deliver to the Bond Trustee for cancellation Bonds of applicable series and maturity; (b) direct the Bond Trustee in writing to apply a credit for the Authority's sinking fund redemption obligation for any Bonds of the series and maturity which prior to said date have been redeemed or purchased (otherwise than through the operation of the Sinking Fund Account) and cancelled by the Bond Trustee and not theretofore applied as a credit against such sinking fund redemption obligations; or (c) cause funds to be delivered to the Bond Trustee, with instructions for deposit in the applicable Sinking Fund Account, together with written instructions from the Obligated Group Agent directing the Bond Trustee to apply such funds on or before said 60th day to the purchase of Bonds of the applicable series and maturity then subject to mandatory sinking fund redemption from amounts in such Sinking Fund Account. Each Bond so delivered, redeemed, or purchased shall be credited by the Bond Trustee at 100% of the principal amount thereof to the obligation of the Authority with respect to the applicable Sinking Fund Account; any excess over such amount shall be credited to such future obligations with respect to such Sinking Fund Account in accordance with the written instructions of the Obligated Group Agent.

Debt Service Reserve Fund

Under the Bond Indenture, the Bond Trustee shall establish a separate Debt Service Reserve Fund with respect to the Series A Bonds and the Series B Bonds designated the “Series A Bonds Debt Service Reserve Fund” and the “Series B Bonds Debt Service Reserve Fund,” respectively. The Series A Bonds Debt Service Reserve Fund shall be held by the Bond Trustee, in trust, solely for the benefit of the Owners of the Series A Bonds, and the Series B Bonds Debt Service Reserve Fund shall be held by the Bond Trustee, in trust, solely for the benefit of the Owners of the Series B Bonds, in each case until applied as herein provided. Concurrently with the issuance of the Bonds, the Bond Trustee shall deposit in each Debt Service Reserve Fund, out of the proceeds of the sale of the Bonds, cash in an amount equal to the initial Reserve Fund Requirement applicable to such Fund.

Moneys available in each Debt Service Reserve Fund shall be applied as follows:

(i) On the date of each required payment from the Debt Service Fund with respect to the Series A Bonds or the Series B Bonds, as applicable, moneys in the applicable Debt Service Reserve Fund shall be applied by the Bond Trustee, without further direction from the Authority or the Borrowers, to cure any deficiency in the applicable account of the Debt Service Fund for the payment of such series of Bonds; and

(ii) Any cash in either Debt Service Reserve Fund which causes the total amount therein to exceed the applicable Reserve Fund Requirement on any valuation date shall, at the written direction of the Obligated Group Agent, be transferred to the Series A Bonds Debt Service Account or the Series B Bonds Debt Service Account, as applicable, of the Debt Service Fund and credited against the payments next becoming due under the Loan Agreement in respect of the principal or redemption price of or interest on the corresponding series of Bonds.

On each of (A) the final maturity date of the Bonds of a series and (B) the Interest Payment Date immediately preceding such final maturity date, amounts available in each Debt Service Reserve Fund shall be credited against the payments otherwise due under the Loan Agreement in respect of principal or Redemption Price of, and interest on, the applicable series of Bonds and shall be transferred to the corresponding account of the Debt Service Fund for the payment of such principal and interest; provided, however, that, in the case of the Interest Payment Date immediately preceding such final maturity date, no such credit shall be given and no such transfer of amounts available in such Debt Service Reserve Fund shall be made if and to the extent that, immediately thereafter, the value of the Reserve Fund Assets in such Debt Service Reserve Fund would not at least equal the amount of the principal of and interest on the applicable series of Bonds due to be paid on the final maturity date of such Bonds.

The amount of: (1) any withdrawal from any Debt Service Reserve Fund, or (2) any decline in the value of the Reserve Fund Assets in such Debt Service Reserve Fund as of any Interest Payment Date to an amount less than 95% of the applicable Reserve Fund Requirement, is required to be restored by the Borrowers in no more than 12 equal, consecutive monthly installments payable on the last Business Day of each month, commencing with the month in which such withdrawal occurs or such decline in valuation is established and the Bond Trustee has notified the Borrowers in writing. If an additional withdrawal is made or an additional decline occurs prior to the restoration of any prior withdrawal or decline, such additional withdrawal or decline is required to be restored by the Borrowers in equal monthly installments over the remainder of the restoration period for the initial withdrawal or decline.

Rebate Fund

The Bond Indenture establishes a Rebate Fund to be held and applied by the Bond Trustee in accordance with the Bond Indenture. Pursuant to the Loan Agreement, the Borrowers have covenanted to calculate and pay directly to the government of the United States of America all amounts due for payment of “arbitrage rebate” under Section 148(f) of the Code with respect to the Series A Bonds. Accordingly, no amounts are expected to be deposited into the Rebate Fund, provided, however, that the Authority may in the future deposit with the Bond Trustee or direct the Bond Trustee to deposit in the Rebate Fund amounts held in any fund under the Bond Indenture (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to Section 148(f) of the Code, (b) the Borrowers fail to make any required arbitrage rebate payments to the government of the United States of America, or (c) the Authority and the Borrowers otherwise agree that the funding of the Rebate Fund is desirable and appropriate. All amounts in the Rebate Fund, including income earned from investment of moneys held in the Rebate Fund, shall be held by the Bond Trustee solely for the purposes specified in the Bond Indenture, free and clear of the lien and pledge of the Bond Indenture, and the Bond Trustee, at the written direction of the Obligated Group Agent (or of the Authority in the absence of such direction), shall pay said amounts over to the United States of America.

Investment of Funds

Any moneys and investments in any of the funds and accounts established under the Bond Indenture shall at all times be a part of the Trust Estate thereunder and shall be invested and reinvested as provided therein. All investments hereunder shall be registered in the name of the Bond Trustee, as trustee under the Bond Indenture, and shall be held by or under the control of the Bond Trustee.

Moneys on deposit in the funds established pursuant to the Bond Indenture shall be invested and reinvested by the Bond Trustee as follows:

(a) All investments shall constitute Investment Securities and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the Bond Trustee, on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Bond Indenture.

(b) All investments shall be made at the written direction of the Obligated Group Agent. In the absence of any direction from the Obligated Group Agent as to the investment of any moneys held under the Bond Indenture, such funds shall be held uninvested. The Bond Trustee shall be entitled to rely on any written direction of the Obligated Group Agent as to the suitability and legality of the directed investments. Any deposit or investment directed by the Obligated Group Agent shall constitute a certification by Obligated Group Agent to the Bond Trustee that the assets so deposited or to be purchased pursuant to such directions are Investment Securities. The Bond Trustee shall have no responsibility whatsoever to determine whether any investments made pursuant to the Bond Indenture are or continue to be Investment Securities. The Bond Trustee shall have no liability whatsoever for any loss, fee, tax or other charge incurred in connection with any investment, reinvestment, sale or liquidation of an investment hereunder. In no event shall the Bond Trustee be deemed an investment manager or adviser in respect of any selection of investments hereunder. In the event of a loss on the sale of such investments, the Bond Trustee shall have no responsibility in respect of such loss except that the Bond Trustee shall notify the Borrowers of the amount of such loss and the Borrowers shall promptly pay such amount to the Bond Trustee to be credited as part of the monies originally invested if and to the extent such loss shall have caused the balance of any fund or account mentioned hereunder to be less than the balance (if any) required to be maintained under the Bond Indenture. The Bond Trustee shall not make any representation as to the accuracy of any quotation of

market price of any security or investment (or the accrued interest thereon) in any fund or account, and the Borrowers shall further be obligated to indemnify and hold harmless the Bond Trustee, its officers and employees, from and against any and all liabilities, claims and charges, etc. in connection with or resulting from the Bond Trustee's valuation of the investments in any funds or accounts as provided in the Bond Indenture.

(c) All interest, income and gains received in respect of Investment Securities in the Debt Service Fund for each series (and in each Debt Service Account therein, as applicable) shall be retained and credited against subsequent deposit requirements as provided in the Bond Indenture. Whenever any other transfer or payment is required to be made from any particular fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Bond Trustee deems appropriate for such purpose.

(d) All interest, income and gains received in respect of Investment Securities in the Project Fund and the Entrance Fee Refund Reserve Fund shall be retained in such Fund and applied for the purposes set forth in the Bond Indenture.

(e) All interest, income and gains received in respect of Investment Securities in the Rebate Fund shall be retained in such Fund and applied for the purposes set forth in the Bond Indenture.

(f) All interest, income and gains received in respect of Investment Securities in each Debt Service Reserve Fund shall be retained therein only to the extent required to fund any deficiency in such Debt Service Reserve Fund and any excess earnings shall be transferred to and deposited in the applicable Debt Service Fund to be applied as a credit against subsequent deposit requirements as required under the Bond Indenture;

Neither the Authority nor the Bond Trustee shall be accountable for any depreciation in the value of any Investment Securities or any losses incurred upon any authorized disposition thereof.

Valuation of Funds; Bond Trustee Reports

The Bond Trustee shall determine the value of the assets in each of the funds established under the Bond Indenture as of each Interest Payment Date. As soon as practicable after each such valuation date, the Bond Trustee shall furnish to the Authority, the Borrowers and the Obligated Group Agent a report of the status of each fund as of such date. The Bond Trustee shall also advise the Borrowers and the Obligated Group Agent at such time of the amount then available in the Debt Service Fund for each series as a credit against future deposits, prior to the next valuation date in direct order of the due dates of such deposits. In computing the value of assets in any fund or account, investments shall be valued at the market value thereof (except as otherwise provided in the Bond Indenture), and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such funds and accounts. The Bond Trustee shall provide the Borrowers and the Obligated Group Agent with monthly or other periodic statements showing amounts deposited into and withdrawn from each Fund, the investments made with amounts in each Fund, and the investment income received from such investments. The Authority shall also receive copies of any such statements upon its written request. The Authority and the Borrowers acknowledge that regulations of the Comptroller of the Currency grant the Authority and the Borrowers the right to receive brokerage confirmations of security transactions as they occur. The Authority and the Borrowers specifically waive such right to notification to the extent permitted by law and acknowledge that they will receive statements as described in this paragraph.

Covenants of Authority

The Authority shall cause to be paid the principal of (whether at maturity, by acceleration, by call for redemption or otherwise), the Redemption Price, if any, and the interest on every Bond issued under the Bond Indenture, but shall be required to make such payment only out of the Trust Estate. In addition, the Authority shall maintain its existence as a body corporate and politic and public instrumentality under the Act, and shall not sell, lease, encumber or otherwise transfer any of its interest in and to the Trust Estate other than as provided in the Bond Indenture. The Authority shall (i) take, or use its best efforts to require to be taken, all actions that may be required by the Authority for the interest on the Series A Bonds to be and remain excluded from gross income for Federal income tax purpose, and (ii) not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

Default and Remedies

Events of Default, as defined in the Bond Indenture, include, among other things, the following:

- (a) the failure to pay any installment of interest on any Bond when it becomes due and payable;
or
- (b) the failure to pay the principal or Redemption Price of any Bond when it becomes due and payable at maturity, upon redemption or otherwise; or
- (c) the failure by Borrower to pay when due any sum due under the Loan Agreement within any applicable grace period; or
- (d) the occurrence and continuance of any Event of Default under the Loan Agreement (other than an Event of Default resulting from an occurrence described in clauses (a) through (c) above); or
- (e) the default by the Authority in the due and punctual performance of any other covenant in the Bonds or in the Bond Indenture or in the Loan Agreement (other than as specified in clauses (a) or (b) above); or
- (f) the failure by the Authority to comply with any provision of the Act which renders it incapable of fulfilling its obligations thereunder; or
- (g) the receipt of notice by the Bond Trustee from the Master Trustee that an event of default has occurred and is continuing under the Master Indenture.

Notice of Default; Opportunity to Cure.

No Event of Default shall occur under clauses (d), (e) or (f) under “Events of Default” above unless such Event of Default continues for 60 days after written notice requiring the same to be remedied shall have been given to the Authority, the Borrowers and the Obligated Group Agent by the Bond Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than 25% in principal amount of Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 60-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Authority or the Borrowers shall commence such performance within such 60-day period, and the Authority or the Borrowers shall diligently and continuously prosecute the same to completion.

Acceleration and Annulment Thereof.

If any Event of Default has occurred and is continuing under the Bond Indenture, the Bond Trustee may, and upon written request of the Owners of 25% in principal amount of the Bonds then Outstanding thereunder and affected thereby shall, by notice in writing to the Authority, the Borrowers and the Obligated Group Agent, declare the principal of all Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided, unless the Borrowers cures such default prior to the date of the declaration.

If, after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds and the principal of all Bonds then Outstanding which have matured, except the principal of any Bonds due solely because of such declaration, and the interest accrued on the Bonds since the last interest payment date are paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default hereunder and pays the reasonable charges of the Bond Trustee, the Owners of Bonds, and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Owners of a majority in principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Bond Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Bond Trustee and upon all Owners of Bonds issued under the Bond Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Remedies Upon Default.

Upon the happening and continuance of any Event of Default, then and in every such case the Bond Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding hereunder and the provision of indemnity satisfactory to the Bond Trustee shall proceed to, protect and enforce its rights and the rights of the Owners under the laws of the Commonwealth and under the Loan Agreement and the Bond Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The rights and remedies which the Bond Trustee may or shall exercise include all or any of the following:

- (i) The right in its own name by mandamus or other suit, action or proceeding at law or in equity to enforce all rights of the Owners, including the right to require the Authority to carry out the covenants and agreements of the Authority contained in the Bond Indenture and to require the Authority to carry out any agreements with or for the benefit of the Owners and to perform its duties under the Act;
- (ii) The right to bring suit upon the Bonds Outstanding hereunder; provided, however, that any judgment obtained in any such suit against the Authority shall be payable only out of the Trust Estate;
- (iii) The right by action or suit in equity to require the Authority to account as if it were the Bond Trustee of an express trust for the Owners;
- (iv) The right by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(v) The right to apply all moneys and funds held under the Bond Indenture (except moneys and funds which shall theretofore have been set aside for the payment or purchase of particular Bonds and moneys and funds held in the Rebate Fund) to the payments as provided in Section 9.8 hereof;

(vi) The right to take any and all action permitted to be taken by the Bond Trustee as a holder of the Series 2017 Master Notes under the Master Indenture; and

(vii) The right to exercise any or all other rights or remedies provided by the Act, or by any other law (against any of the parties hereto or otherwise) or by any other suit, action or other special proceeding in equity or at law either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted.

All rights of action under the Bond Indenture, or under any of the Bonds secured thereby, enforceable by the Bond Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in its name and as Bond Trustee of an express trust for the equal and ratable benefit of the Owners of all Bonds, subject to the provisions of the Bond Indenture.

No remedy herein conferred upon or reserved to the Bond Trustee or to the Owners is intended to be exclusive of any other remedy or remedies.

In case any proceeding taken by the Bond Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every such case the Authority, the Bond Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Bond Trustee shall continue as though no such proceeding had been taken.

No delay or omission in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by this Article may be exercised from time to time and as often as may be deemed expedient.

For a more complete statement of rights and remedies of the Owners of Bonds and of the limitations thereon, reference is made to the Bond Indenture.

Powers of Owners

The Owner or Owners of a majority in principal amount of the Bonds then Outstanding under the Bond Indenture and affected thereby shall have the right to direct the method and place of conducting all remedial proceedings by the Bond Trustee under the Bond Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Bond Indenture, and provided that the Bond Trustee shall have been given indemnity satisfactory to it against costs, expenses and liabilities, and that the Bond Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitations on Actions by Owners of Bonds

Owners shall have no right to pursue any remedy under the Bond Indenture unless (a) the Bond Trustee shall have been given written notice of an Event of Default, (b) the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have requested the Bond Trustee, in writing, to

exercise the powers granted under the Bond Indenture or to pursue such remedy in its or their name or names, (c) the Bond Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Bond Trustee shall have failed to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in each case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of the Bond Indenture or to any other remedy thereunder.

Application of Moneys in Event of Default

All moneys received by the Bond Trustee or by any receiver under the Bond Indenture shall, and all moneys and funds held by the Bond Trustee in the funds and accounts established under the Bond Indenture (except the Rebate Fund and except moneys and funds which shall theretofore have been set aside for the payment or purchase of particular Bonds) shall, after the payment of current administration, operating and management expenses incurred by the Bond Trustee or receiver, be applied by the Bond Trustee or receiver in the following order of priority:

(a) To the payment of all fees and expenses owing to the Bond Trustee under the Bond Indenture, including without limitation, fees, costs, expenses and liabilities reasonably incurred by the Bond Trustee (including reasonable compensation to the Bond Trustee, its agents, attorneys and counsel) and to the repayment of all advances made by the Bond Trustee;

(b) To the payment of the reasonable costs of the Authority including counsel fees and expenses, any disbursements of the Authority with interest thereon and its reasonable compensation;

(c) Unless the principal of all the Bonds Outstanding under the Bond Indenture has become due, whether at the due dates expressed therein, by proceedings for redemption, or by declaration as herein provided or otherwise, then:

(i) To the payment of any overdue installments of interest on the Outstanding Bonds in the order of the expressed maturity of the installments of such interest, with interest on overdue installments of interest (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the Bonds; and, if the amount to be applied to the payment of any installment of interest shall not be sufficient to pay such installment in full, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or preference; and

(ii) After the payment of all such overdue installments of interest with the interest thereon, then to the payment of the principal of all of the Bonds which shall have become due by their express terms, not including Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Bonds Indenture, with interest on such Bonds at the rate or rates provided for in such Bonds from the respective dates upon which they became due in the order of maturity dates expressed in the Bonds, and if the amount to be distributed at any particular time shall not be sufficient to pay in full all of the Bonds due on any particular date, to the payment thereof ratably according to the amounts due thereon; and

(iii) then to the payment of the principal of and the interest on the Bonds thereafter becoming due in accordance with the provisions of the Bond Indenture.

(d) In case the principal of all of the Bonds shall have become due, whether at the due dates expressed therein, by proceedings for redemption, by declaration or otherwise, then:

(i) To the payment of the full amount then owing and unpaid upon all Bonds Outstanding for principal and interest together with interest on such unpaid amounts (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the Bonds then Outstanding, and in case such moneys shall be insufficient to pay the same in full, then to the payment of such principal and interest without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest ratably to the aggregate of such principal and interest; and

(ii) Any surplus thereof remaining after the payment of the full principal of and interest on all Outstanding Bonds together with interest thereon, to the Borrowers or to whomsoever may be lawfully entitled to receive the same.

Whenever moneys are to be applied by the Bond Trustee or by any receiver pursuant to the provisions of the Bond Indenture as described above, such moneys shall be applied by the Bond Trustee or receiver at such times, and from time to time, as the Bond Trustee or receiver in its sole discretion shall determine, having due regard to the amount of such moneys available for application in the future. The deposit of such moneys with the bank or trust company at which the Bonds shall be payable, or otherwise setting aside of such moneys, in trust for the proper purpose, shall constitute proper application by the Bond Trustee or receiver; and the Bond Trustee or receiver shall incur no liability whatsoever to the Authority, to any Owner or to any other Person for any delay in applying any such moneys, so long as the Bond Trustee or receiver acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Bond Indenture as may be applicable at the time of application by the Bond Trustee or receiver. Whenever the Bond Trustee or receiver shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made, including determination of a Special Record Date and the provision of notice thereof as provided in the form of the Bond, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee or receiver shall give notice of any Special Record Date as provided in the Bond Indenture and shall give such other notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payments to the Owner of any Bond until such Bond shall be surrendered to the Bond Trustee or receiver for cancellation or stamping with reference to such payment.

Bond Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the United States Bankruptcy Code relating to the Authority or the Borrowers, any other obligor upon the Bonds or any property of the Authority, Borrower or any other obligor, the Bond Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Bond Trustee shall have made any demand upon the Authority or the Borrowers for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(i) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Bond Indenture or the Loan Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Bond Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Owner to make such payments to the Bond Trustee, and, in the event that the Bond Trustee shall consent to the making of such payments directly to the Owners, to pay to the Bond Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and any other amounts due the Bond Trustee under the Bond Indenture.

No provision of the Bond Indenture empowers the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Owners of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any Owner thereof, or authorizes the Bond Trustee to vote in respect of the claim of any Owner in any proceeding described above.

Amendments and Supplements

The Bond Indenture may be amended or supplemented at any time, without the consent of the Owners, by a Supplemental Indenture, for one or more of the following purposes: (a) to set forth such matters as are specifically required or permitted under the Bond Indenture or such other matters as will not materially and adversely affect the Owners of the Bonds Outstanding, (b) to add additional covenants of the Authority or to surrender any right or power in the Bond Indenture conferred upon the Authority, (c) to comply with any provision of the Code affecting the exclusion of interest on the Series A Bonds from gross income for Federal income tax purposes, (d) to make conforming changes in connection with any changes to the Loan Agreement otherwise permitted under the Bond Indenture, (e) to obtain or maintain any credit rating or ratings on any series of Bonds, and (f) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provisions hereof or otherwise) provision of the Bond Indenture in such manner as shall not be inconsistent with the Bond Indenture and shall not impair the security thereof or materially or adversely affect the Owners of Bonds. Notwithstanding the foregoing, the Bond Indenture shall not be amended to affect the rights or liabilities of the Bond Trustee without its written consent.

The Bond Indenture may be amended from time to time, except with respect to (a) the principal, Redemption Price or interest payable upon any Bond, (b) the dates of maturity, sinking fund and redemption provisions of any Bonds, (c) the provisions of the Bond Indenture governing amendments and supplements thereto, and (d) the security provisions thereunder, by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of all of the Bonds then Outstanding and affected thereby; provided, that no amendment shall be made which adversely affects the rights of some but less than all of the Bonds without the consent of the Owners of at least a majority of the then Outstanding Bonds so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds without the consent of the Owners of a majority of the Bonds so affected. Amendments with respect to matters described in clauses (a), (b), (c) or (d) of the first sentence of this paragraph shall be effected only with the consent of Owners of all Bonds then Outstanding and affected by such amendments.

The Bond Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by the above, and in so doing shall be fully protected by an opinion of Counsel that such Supplemental Indenture or amendment is permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

The Loan Agreement may be amended without the consent of the Owners (a) to set forth such other matters as will not materially or adversely affect the Owners of the Bonds then Outstanding, (b) to add additional covenants of the Borrowers or to surrender any right of power conferred upon the Borrowers, (c) in connection with any merger or consolidation of a Borrower, provided such merger or consolidation would not materially adversely affect the Owners, (d) to make conforming changes in connection with any amendment of the Bond Indenture otherwise permitted under the Bond Indenture, (e) to obtain or maintain any credit rating (or ratings) on any series of Bonds, or (f) to cure any ambiguity, inconsistency or formal defect or omission in any Loan Agreement or to make any other change in a Loan Agreement which, in the judgment of the Bond Trustee (which judgment may be made in reliance upon an opinion of counsel), does not materially adversely affect the rights of the Owners of any Bonds. No prior notice to the Owners of any proposed changes pursuant to this paragraph shall be required.

The Bond Trustee, as the holder of the Series 2017 Master Notes, is authorized to consent to any amendments, change or modification to, or waiver of any requirement of, the Master Indenture (if such consent is required under the Master Indenture), and no prior notice to or consent of the Registered Owners shall be required for any such amendment which does not materially adversely affect the rights of the Registered Owners. In the case of any amendment, change or modification to, or waiver of any requirement of, the Master Indenture, which, in the judgment of the Bond Trustee may materially adversely affect the rights of the Registered Owners of the Bonds (which judgment may be in reliance of an opinion of Counsel), the Bond Trustee shall consent thereto only after notice to the Registered Owners of the Bonds then Outstanding and the approval thereof by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or 100% in aggregate principal amount thereof in the case of any amendment, change or modification to any provision of, or waiver of any requirement of, the Master Indenture which requires the consent of the holders of 100% of the Obligations outstanding thereunder and affected thereby).

Defeasance

When the interest on, and principal or Redemption Price (as the case may be) of, all Bonds issued under the Bond Indenture have been paid, or there shall have been deposited with the Bond Trustee an amount, evidenced by cash or non-callable Government Obligations, the principal of and interest on which, when due, will provide sufficient moneys to fully pay all Bonds issued under the Bond Indenture, as well as all other sums payable thereunder by the Authority or the Borrowers, including all fees and expenses of the Bond Trustee and the Authority, all right, title and interest of the Bond Trustee shall thereupon cease and the Bond Trustee, on demand of the Authority, shall release the Bond Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such Person, body or authority as may be entitled to receive the same, all balances remaining in any funds thereunder.

Provision for the payment of any Bonds shall be deemed to have been made when the Bond Trustee holds in the Debt Service Fund or other fund established for such purpose (i) cash in an amount sufficient to make all payments (including the principal or Redemption Price of and interest on the Bonds) specified in the preceding paragraph with respect to such Bonds, or (ii) non-callable Government Obligations maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments provided that (A) the Bond Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such deposit of obligations described in clause (i) or (ii) above and (B) provision for payment of Bonds shall be deemed to be made only if the Bond Trustee holds in the Debt Service Fund or other fund established for such purpose cash and/or such obligations for payment of such

Bonds in amounts sufficient to make all payments specified above with respect to such Bonds, as verified in a report of a qualified accountant or other financial consultant.

Neither the moneys nor the obligations deposited with the Bond Trustee pursuant to the above shall be withdrawn or used for any purpose other than, and such obligations and moneys shall be segregated and held in trust for, the payment of the principal or Redemption Price and interest on, the Bonds (or portions thereof).

Whenever moneys or obligations shall be deposited with the Bond Trustee for the payment or redemption of Bonds more than 60 days prior to the date that such Bonds are to mature or be redeemed, the Bond Trustee shall mail a notice to the Registered Owners of the Bonds for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited. Such notice shall also be sent by the Bond Trustee to the Rating Agencies. Notwithstanding the foregoing, no delivery to the Bond Trustee under the provisions of the Bond Indenture shall be deemed a payment of any Bonds which are to be redeemed prior to their stated maturity until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of the Bond Indenture and proper notice of such redemption shall have been given in accordance with the Bond Indenture, or the Authority shall have given the Bond Trustee, in form satisfactory to the Bond Trustee, irrevocable instructions to give, in the manner and at the times prescribed by the Bond Indenture, notice of redemption.

If the Authority, its successors or assigns, shall pay or cause to be paid unto the Owners of all Bonds Outstanding the principal and interest to become due thereon and the premium thereon, if any, at the times and in the manner stipulated therein, or if the Authority, its successors or assigns, shall deliver or cause to be delivered to the Bond Trustee for cancellation all Bonds Outstanding, then the Bond Indenture and the estate, title, interest and rights thereby granted shall cease, determine and be void and thereupon the Bond Trustee shall, upon the written request of the Authority, which request shall be made at the written request of the Obligated Group Agent, release, cancel and discharge the lien of the Bond Indenture, and execute and deliver to the Authority such instruments as shall be requisite to satisfy the lien thereof, shall discharge the Bond Indenture and the Loan Agreement and reconvey to the Authority the estate, title, interest and rights thereby conveyed, and assign and deliver to the Borrowers any money and other property at the time subject to the lien of the Bond Indenture which may then be in the possession of the Bond Trustee. The Bond Trustee shall be entitled to receive an opinion of Counsel that all conditions precedent to the discharge of the Bond Indenture have been satisfied.

The Bond Trustee

The Bond Trustee will undertake only those obligations and duties which are expressly set out in the Bond Indenture. Under the terms of the Bond Indenture, the Bond Trustee is liable only for those damages caused by its gross negligence or willful misconduct.

The Bond Trustee may execute any of the trusts or powers and perform the duties required either directly or through attorneys, agents, receivers or employees. The Bond Trustee is entitled in good faith to rely conclusively and be free from all liability for acting or refraining from acting upon the advice of counsel. Unless otherwise provided by law, the Bond Trustee is under no obligation to take any action in respect to any default or otherwise, or toward the execution or enforcement of any of the trusts created under the Bond Indenture, or to institute, appear in or defend any suit or other proceeding, unless requested to do so in writing by the Owners owning at least 25% in aggregate principal amount of the Bonds then Outstanding.

The Bond Trustee may be provided a reasonable compensation for all services rendered and for all reasonable expenses, charges and other disbursements of the Bond Trustee and those of its attorneys, agents, and employees, incurred in the administration and execution of the trusts created and the performance of its powers and duties. The Bond Trustee may at any time make advances to effect performance of any covenant or agreements contained in the Bond Indenture or Loan Agreement on behalf of the Authority or the Borrowers if they fail to perform such.

The Bond Trustee may resign and be discharged of the trusts created by the Bond Indenture. To resign, the Bond Trustee must execute a written instrument resigning such trusts and specifying the date when such resignation would be in effect, by filing the same with the Secretary of the Authority, the Borrowers and the Owners of all Bonds. Concurrently with the giving of such notice, the Bond Trustee will also mail copies thereof to the Owners at their addresses as shown in the Bond Register. Such resignation will take effect on the resignation date specified in such instrument and notice, unless (a) no successor has been appointed and qualified, in which case such resignation not be effective until such a successor Bond Trustee has so accepted and qualified or (b) a successor Bond Trustee has previously been appointed, in which event such resignation will be effective immediately on the appointment and acceptance of such successor Bond Trustee.

If no Event of Default has occurred and is continuing, the Bond Trustee may be removed by the Authority at the direction of the Borrowers. If an Event of Default has occurred and is continuing, the Bond Trustee may be removed only by written direction of any Owner or Owners owning, in the aggregate, a majority in principal amount of the Bonds then Outstanding.

THE LOAN AGREEMENT

The Loan

Upon the issuance of the Bonds, the Authority will lend the proceeds thereof to the Borrowers for application toward the costs of the 2017 Project. The loan will be made by depositing the proceeds of the Bonds with the Bond Trustee in the manner and for the purposes set forth in the Bond Indenture.

The Loan Agreement will remain in effect until such time as all Bonds and all other expenses payable by the Borrowers under the Loan Agreement have been paid or provisions for such payment has been made as described under the heading "THE BOND INDENTURE -- Defeasance" herein, and all other conditions of the Loan Agreement and the Bond Indenture shall have been fully satisfied.

Repayment of Loan

As repayment of the loan of the proceeds of the Bonds, the Borrowers will be required to pay to the Bond Trustee, as the assignee of the Authority, the following aggregate sums:

- (i) On or before the 15th day prior to each Interest Payment Date, an amount equal to the interest on the Bonds becoming due on such Interest Payment Date, subject to credit for other available funds in the manner provided in the Bond Indenture;
- (ii) On or before the 15th day prior to July 1 in each year in which any principal on the Bonds shall be due, an amount sufficient to pay the principal of the Bonds becoming due on such July 1, whether at maturity or by mandatory sinking fund redemption, subject to credit for other available funds in the manner provided in the Bond Indenture; and

(iii) On or prior to each applicable monthly date an amount required to restore, in not more than 12 equal consecutive monthly installments, any deficiency in any Debt Service Reserve Fund, all as more particularly provided in the Bond Indenture.

Notwithstanding anything herein to the contrary, the amounts payable as provided in paragraph (a) above shall be sufficient in the aggregate to pay in full, when and as the same shall become due the principal (whether by maturity, redemption, acceleration or otherwise) and Redemption Price of, and all interest accrued on, all Bonds issued under the Bond Indenture.

Payments received under the Series 2017 Master Notes shall be credited against the foregoing. In addition, in lieu of the portion of the payments described above, the Obligated Group Agent, or, at its direction, the Authority or the Bond Trustee, may purchase for cancellation Bonds of the maturity next becoming due at maturity or upon mandatory redemption, subject to the applicable requirements set forth in the Bond Indenture.

Prepayments and Payment with Bonds in Lieu of Cash

The Borrowers are permitted, at any time, to prepay all or any part of the amounts payable to redeem or defease all or any portion of the Bonds in accordance with the provisions of the Bond Indenture. Additionally, in lieu of the portion of the loan payments payable with respect to principal of any Bonds becoming due, the Borrowers or the Authority may purchase on the open market Bonds of the series and maturity becoming due, and present such Bonds to the Bond Trustee for cancellation. These Bonds presented to the Bond Trustee shall be credited to the principal amount of the next payment due at 100% of the principal amount of such Bonds.

Additional Payments

The Borrowers will be required to pay to the Authority, upon requisition therefor, its initial issuance fee and all reasonable amounts required to reimburse the Authority's Administrative Expenses incurred in connection with the Authority's loan of the proceeds of the Bonds to the Borrowers and other related services in connection with the Loan Agreement and Bond Indenture, and shall pay to the Bond Trustee its reasonable fees and expenses incurred in connection with the Loan Agreement and the Bond Indenture as agreed below by the Borrowers and the Bond Trustee. The Borrowers shall also pay all of the Authority's legal fees and expenses incurred in connection with the issuance of the Bonds and the loan of the proceeds thereof to the Borrowers.

Nature of Obligations

The obligations of the Borrowers under the Loan Agreement are general obligations to which their full faith and credit are pledged. The Borrowers' payment obligations in respect of the Bonds under the Loan Agreement are evidenced and secured by the respective Series 2017 Master Notes issued in favor of the Authority and assigned to the Bond Trustee.

2017 Capital Projects

The Borrowers shall cause the 2017 Capital Projects to be undertaken and completed in compliance in all material respects with all laws, acts, rules, regulations, orders and requirements lawfully made and applicable thereto.

The Borrowers further agree as follows with respect to the 2017 Capital Projects:

(i) The Borrowers shall: (A) enter into such construction contracts and other agreements (each, a “Construction Contract”) with third parties (each, a “General Contractor”) as they deem necessary or advisable for any acquiring, installing, equipping or constructing renovations and conversions relating to the 2017 Capital Projects; and (B) cause the 2017 Capital Projects to be completed in accordance with the Construction Contracts therefor (if any).

(ii) Amendments, modifications, changes and deletions relating to the 2017 Capital Projects or to any Construction Contract, project budget or plans and specifications therefor may be made at the discretion of the Borrowers, provided that such changes are in compliance with all applicable laws, acts, rules, regulations, orders and requirements as aforesaid and with the Loan Agreement.

(iii) The Costs of the 2017 Capital Projects (including costs of issuance) shall be paid by the Bond Trustee from available moneys held in the Clearing Fund (to the extent paid or provided upon the issuance of the Bonds as set forth in the Closing Statement) and the Project Fund established under the Bond Indenture in accordance with the provisions thereof, and, to the extent such available moneys are not sufficient for such purpose, from other available moneys of the Borrowers.

In the event the moneys in the Project Fund available for payment of the costs of the 2017 Capital Projects are not sufficient to pay all costs of the 2017 Capital Projects in full, the Borrowers agree to complete the 2017 Capital Projects and to pay that portion of the costs in excess of the moneys available therefor in the Project Fund. The Authority and the Bond Trustee make no warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the costs of the 2017 Capital Projects will be sufficient to pay all of such costs. If, after disbursement of all the money in the Project Fund available for payment of costs of the 2017 Capital Projects, the Borrowers should pay any portion of the costs of the 2017 Capital Projects, they shall not be entitled to any reimbursement therefor from the Authority or the Bond Trustee.

The Borrowers shall undertake to construct the Facilities in accordance with the plans and specifications for the 2017 Capital Projects and shall proceed to complete the 2017 Capital Projects with due diligence. Contracts for carrying out the 2017 Capital Projects shall be made by or on behalf of the Borrowers in the name of the Borrowers or its agents or designees.

The Borrowers may, at their option and at their own cost and expense, at any time and from time to time, make such improvements, additions and changes to the Facilities as they may deem to be desirable for its uses and purposes, provided that such improvements, additions and changes shall constitute part of the Facilities.

Financial and Other Reports

The Borrowers shall cause to be delivered to the Authority, the Bond Trustee, each Rating Agency, RBC Capital Markets, LLC as the initial underwriter of the Bonds, and to each Owner of Bonds who requests the same in writing to the Borrowers: (a) copies of each of the financial reports and certificates described in the Master Indenture as described under “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE – Filing of Financial Statements; Certificate of Default, Other Information” in APPENDIX D to this Official Statement, and (b) copies of each notice provided to any nationally recognized municipal securities information repository (either directly or through any dissemination agent) of any of the events described in Rule 15c2-12(b)(5)(i)(C) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Insurance

Each Borrower covenants to provide and maintain continuously insurance covering such risks, in such amounts and with such deductibles as shall be required by the terms and provisions of the Master Indenture. A written report of the Insurance Consultant (as defined in the Master Indenture) evidencing the types and amounts of insurance maintained by the Borrowers and the compliance by the Borrowers with the terms of the Master Indenture shall be delivered to the Bond Trustee and the Authority concurrently with the issuance and delivery of the Bonds and thereafter not less frequently than as required by the Master Indenture.

Additional Covenants

In addition to the foregoing, the Loan Agreement will contain covenants which will require each Borrower, among other things (and subject to the further provisions of the Loan Agreement), to: (a) maintain its corporate existence; (b) keep and maintain its Facilities in good order, repair and condition; (c) pay any taxes or other impositions when due; (d) take whatever actions are necessary to continue to be organized and operated in a manner which will preserve and maintain its status as an organization which is (i) described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, including refraining from participating in any unrelated trade or business which may cause the interest paid by the Authority on the Series A Bonds to be includable in the gross income of the Owners; (e) pay to or for the account of the Authority all amounts needed to comply with the requirements of Section 148 of the Code with respect to the Series A Bonds; (f) take or omit to take any other action which would cause the Series A Bonds to be “arbitrage bonds” under Section 148 of the Code; and (g) prepare a written statement of the amount, if any, determined to be payable to the United States government with respect to Series A Bonds pursuant to Section 148 of the Code not later than 45 days after each computation date.

Events of Default and Remedies

Each of the following shall constitute an Event of Default under the Loan Agreement:

- (a) If the Borrowers fail to make any payment to the Bond Trustee when due pursuant to the Loan Agreement, as described under paragraphs (a) and (b) under “Repayment of Loan” above;
- (b) If the Borrowers fail to make any other payment or to perform any other covenant, condition or agreement to be performed by it under the Loan Agreement;
- (c) If any Borrower proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a Bond Trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for a Borrower or any of its assets or revenue, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Borrower and if such is not vacated, dismissed or stayed on appeal within 60 days;
- (d) If the Bond Trustee, as the holder of any Series 2017 Master Note, receives notice from the Master Trustee that an Event of Default under the Master Indenture has occurred and is continuing; or
- (e) If for any reason any Bonds are declared due and payable by acceleration in accordance with the Bond Indenture.

No default under (a) above shall constitute an Event of Default if the Borrowers' failure to make any payment due under the Loan Agreement is cured within 10 days after the due date of the payment; provided, however, that in no event shall such cure period extend beyond the date the payment is due to the Owners.

No default under (b) above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Borrowers by the Authority or the Bond Trustee and the Borrowers shall have had 60 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Borrowers within the period and diligently pursued until the default is corrected.

If any Event of Default occurs and is continuing, the Authority (or the Bond Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the Borrowers to carry out any agreements with or for the benefit of the Owners and to perform its duties under the Act or the Loan Agreement; or (b) by action or suit in equity require the Borrowers to account as if they were the Bond Trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority; or (d) upon the filing of a suit or other commencement of judicial proceeding to enforce the rights of the Bond Trustee and the Owners, have appointed a receiver or receivers with respect to the Borrowers and their respective Facilities, with such powers as the court making such appointment shall confer; (e) upon notice to the Borrowers, accelerate the due dates of all sums due or to become due under the Loan Agreement, if and to the extent that the Bonds have been accelerated under the Bond Indenture and such acceleration has not been annulled; or (f) enforce all rights and remedies as the holder of the Series 2017 Master Notes under the Master Indenture.

Exculpation and Indemnity

Neither the Authority nor its past, present or future members, officers, employees or agents, in the exercise of its power, shall be accountable to the Borrowers or any Owner or Beneficial Owner of the Bonds or to the Bond Trustee for any action taken or omitted in good faith in the Event of Default by the Borrowers. In addition, the Borrowers covenants to indemnify and hold harmless the Authority and its past, present and future officers, employees or agents against any and all claims, losses, damages or liabilities insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of any Facilities or the issuance of the Bonds or are based upon any other alleged act or omission in connection with any Facilities or the issuance of the Bonds by the Authority unless the losses, damages or liabilities arise from willful misconduct, fraud or deceit of an officer, employee or agent of the Authority, and (ii) arise out of or are based upon any untrue or misleading statement or alleged untrue or misleading statement of any material fact contained in any preliminary or final official statement relating to any Bonds, to the extent such information does not relate to the Authority, or upon the omission or alleged omission to state a material fact required to be stated in any such disclosure documents or offering circular in order to make the statement not relating to the Authority not misleading. The Borrowers will also indemnify and hold harmless the Bond Trustee and each director, officer, employee and agent of the Bond Trustee against any and all claims, fees, suits, actions, demands, penalties, costs, expenses (including attorneys' fees and the reasonably allocated costs of in-house counsel), losses, damages, or liabilities, insofar as they arise from any direction or instruction upon which the Bond Trustee is authorized to act under the Bond Indenture or the Loan Agreement, the Facilities or the issuance of any Bonds or the performance by the Bond Trustee of its duties, unless and to the extent that such losses result from gross negligence, willful misconduct, fraud or deceit of an officer or employee of the Bond Trustee. These indemnification provisions survive the termination of the Loan Agreement and the Bond Indenture and the resignation or removal of the Bond Trustee for any reason.

Amendments

The Loan Agreement may be amended from time to time in accordance with the provisions described under “THE BOND INDENTURE -- Amendments and Supplements” therein.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE AND MORTGAGES

The following are definitions of certain terms used in, and summaries of certain provisions of, the Master Indenture and the Mortgages. The summaries set forth below 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 for the complete statements of the provisions thereof. Copies of the Master Indenture and the Mortgages will be kept on file at the principal corporate trust office of the Master Trustee.

DEFINITIONS OF CERTAIN TERMS

“Accountant” means an Independent certified public accountant or firm of public accountants appointed by a Member of the Obligated Group for the purpose of examining and reporting on the financial statements of one or more Members of the Obligated Group or the entire Obligated Group, which has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services with respect to entities engaged in reasonably comparable endeavors.

“Ancillary Obligation” means an Obligation, (a) expressly identified as an Ancillary Obligation in (i) such Obligation, (ii) a Supplemental Master Indenture or (iii) an Obligated Group Agent’s Certificate delivered to the Master Trustee, and (b) entered into in order to evidence or secure financial obligations of a Member in an agreement that is ancillary to any direct Indebtedness (other than an Obligation expressly identified as a Debt Obligation), such as a reimbursement agreement, liquidity agreement, standby bond purchase agreement, bond insurance or credit enhancement agreement, rate maintenance agreement or similar agreement, unless and until and to the extent any such agreement constitutes a direct obligation of a Member to repay money borrowed, credit extended or the equivalent thereof, at which time such Obligation shall be deemed a Debt Obligation.

“Authorized Officer” means, with respect to any particular action to be taken by or on behalf of a Member of the Obligated Group, means the Chair of the Board of such Member, the President, the Chief Financial Officer, the Chief Operating or any officer of such Member who is authorized to take such action pursuant to the Member’s articles of incorporation or by-laws or a resolution duly adopted by its Board.

“Balloon Indebtedness” means any Long Term Indebtedness having a term greater than one year and more than 25% of the original principal amount of which is payable in the same period of twelve consecutive calendar months (after taking into account all scheduled mandatory redemptions or prepayments payable over the life of the indebtedness).

“Balloon Payment Year” means any period of twelve consecutive months in which more than 25% of the original principal amount of any Balloon Indebtedness shall be due and payable.

“Board” when used in connection with a Member of the Obligated Group, means its board of directors, board of trustees, board of governors or other board, committee or group of individuals in which any Member has vested powers for its governance generally or for specific matters under consideration.

“Certificate” means a certificate or report executed: (a) in the case of a Member Certificate, by an Authorized Officer of such Member or by an Authorized Officer of the Obligated Group Agent on behalf of such Member; (b) in the case of an Obligated Group Agent’s Certificate, by an Authorized Officer of the Obligated Group Agent, and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person.

“Commitment Indebtedness” means the obligation of any Member to repay amounts disbursed pursuant to a Credit Facility issued to secure or repay amounts due in respect of any Indebtedness of such Member.

“Completion Indebtedness” means any Long Term Indebtedness incurred for the purpose of financing the completion of constructing and equipping any Project with respect to which Long Term Indebtedness was previously incurred in accordance with the provisions of the Master Indenture.

“Consultant” means an Independent consulting firm which is appointed by a Member of the Obligated Group for the purpose of passing on questions relating to the financial affairs, management or operations of one or more Members of the Obligated Group or the entire Obligated Group and has a favorable reputation for skill and experience in performing similar services with respect to entities engaged in reasonably comparable endeavors. If any Consultant’s Certificate is required to be given with respect to matters partly within and partly without the expertise of any Consultant, such Consultant may rely upon the report or opinion of another Consultant possessing the necessary expertise.

“Counsel” means an attorney-at-law or law firm (which may include counsel to a Member of the Obligated Group).

“Credit Facility” means an irrevocable letter of credit, a standby bond purchase agreement, a line of credit which is revocable only upon the occurrence of commercially reasonable contingencies, a guaranty or an indemnity or surety insurance policy or bond which is issued for the benefit of the holder of any Indebtedness in order to provide a source of funds for the payment of all or any portion of a Member’s payment obligations under such Indebtedness.

“Days Cash On Hand” means the number produced for any period specified under the Master Indenture by dividing (a) the amount of Unrestricted Cash and Investments of the Obligated Group as of the last day of such period, by (b) the quotient obtained by dividing Total Expenses (including interest on Long Term Indebtedness unless funded by such Long Term Indebtedness) during such period by the number of days in such period.

“Debt Obligation” means an Obligation issued to secure or evidence any Indebtedness, including, but not limited to, a Guaranty or an Obligation (other than an Obligation expressly identified as an Ancillary Obligation or a Hedging Obligation) issued to secure obligations to a provider or providers of any irrevocable letters of credit issued to secure obligations of a Member or Members to provide funds to a third-party, which has been authorized to be issued by a Member or the Obligated Group Agent pursuant to the Master Indenture and that has been authenticated by the Master Trustee pursuant to the terms of the Master Indenture.

“Debt Service Requirements” means, for any specified period, (a) the amounts payable to the Holders of Obligations (or to any trustee or paying agent for such Holders) in respect of the principal of any Obligations issued as Long Term Indebtedness under the Master Indenture (including scheduled mandatory redemptions of principal) and the interest on such Obligations, and (b) the amounts payable to any or all holders of Long Term Indebtedness issued in a form other than as Obligations under the Master Indenture (or to any trustee or paying agent for such holders) in respect of the principal of such Long

Term Indebtedness (including scheduled mandatory redemptions or prepayments of principal) and the interest on such Long Term Indebtedness. Notwithstanding the foregoing, the amounts deemed payable in respect of any Long Term Indebtedness shall not include: (i) interest which is paid in the applicable period from the proceeds thereof or any amounts payable from funds available (without reinvestment) in a Qualified Escrow (other than amounts so payable solely by reason of a Member of the Obligated Group's failure to make payments from other sources); or (ii) any principal thereof projected to be paid from any debt service reserve fund or similar fund irrevocably pledged as security for such Long Term Indebtedness provided no default has occurred and is, at the time of calculation, continuing with respect to such Long Term Indebtedness. In addition, calculations of Debt Service Requirements shall be subject to adjustment as and to the extent permitted or required by the provisions of the Master Indenture summarized under "THE MASTER TRUST INDENTURE – Additional Provisions Concerning Certain Forms of Long Term Indebtedness" herein. In the case of any Guaranty, the principal of (and premium, if any) and interest and other debt service charges on the debt that is so guaranteed for the period of time for which Debt Service Requirements are calculated shall be weighted in the calculation of Debt Service Requirements as described in subpart (b)(x) under the caption "THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness" herein with respect to any Guaranty. Debt Service Requirements with respect to any Long Term Indebtedness may, at the option of the Obligated Group Agent be calculated taking into account any Interest Rate Agreement with a Qualified Financial Institution entered into for the purpose of hedging or altering the interest payments associated therewith.

"Demand Indebtedness" means any Long Term Indebtedness subject to optional or mandatory tender, repurchase or repayment as to principal on specified dates, upon the occurrence of specified events (not including events of default) or upon demand by the holder thereof (including any Indebtedness which is subject to such repurchase or repayment within one year from the date of incurrence).

"Entrance Fees" means (i) all initial admission fees received by any Member pursuant to any agreement with respect to the granting of rights to the exclusive use of a residential unit in its Facilities; provided, however, that deposits for admission to the Facilities shall not be "Entrance Fees" until the prospective resident has a right to take possession of such residential unit pursuant to such agreement; and (ii) Resale Entrance Fees.

"Entrance Fee Refund Reserve Fund" means (i) the reserve fund established from the proceeds of the obligations secured by the Series 2017 Master Notes in the initial funded amount of \$12,600,000, and (ii) any similar fund established by the Obligated Group or any Member, to the extent that amounts in such fund are set-aside and available to the Obligated Group to fund the refunding of Entrance Fees.

"Escrow Securities" means, (a) with respect to any Obligation which secures a series of Related Bonds, the securities permitted to be used to defease or provide for the payment of such series of Related Bonds under the Related Bond Indenture, or (b) with respect to any other Obligation, those securities identified as Escrow Securities in the Supplemental Master Indenture pursuant to which such Obligations were issued.

"Excluded Debt Service and Net Income" means, in connection with the calculation of the Historical Debt Service Coverage Ratio for the purpose of determining compliance with the Rate Covenant in any Fiscal Year in accordance with the covenant described under "THE MASTER TRUST INDENTURE – Rate Covenant" herein, the following:

- (i) The Debt Service Requirements for Long Term Indebtedness incurred to finance the new construction of any Facilities ("New Construction Debt"); and

(ii) Any part of the Net Revenues Available for Debt Service attributable to the operation of the Facilities financed with such New Construction Debt;

in each case, until the first full Fiscal Year after the later of (A) the date of completion of such Facilities (but in no event later than six months following the specified completion date set forth in the Forecast or report of the Obligated Group Agent described in (a) below, or (B) the date at which Stabilized Occupancy of such Facilities occurs, or (C) the incurrence by the Obligated Group of other Long Term Indebtedness; subject, however, to the following additional conditions:

(a) In connection with the original incurrence of the New Construction Debt, the Obligated Group shall have delivered to the Master Trustee either a Forecast meeting the requirements as described in subpart (a)(iii) under the caption “THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness” herein, or, if such New Construction Debt was incurred without delivery of a Forecast in accordance with the provisions described in (a)(i) or (ii) under the caption “THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness” herein, then there shall have been delivered to the Master Trustee (whether or not in connection with the original incurrence of the New Construction Debt) a report similar to a Forecast and signed by an Authorized Officer of the Obligated Group Agent together with a certificate of the Authorized Officer of the Obligated Group Agent confirming that such report satisfies the requirements of this subsection (a);

(b) The interest on such Long Term Indebtedness and any projected start-up losses during the applicable period is funded from the proceeds thereof or other funds designated by the Obligated Group Agent, and continues to be available for such purposes during such period; and

(c) No principal of such Long Term Indebtedness shall be payable during such period, other than principal with respect to any Long Term Indebtedness becoming due as a result of the collection of Entrance Fees during such period.

“Extendable Indebtedness” means Long Term Indebtedness which is subject to periodic tender for purchase, at the option of the holder thereof, prior to its stated maturity; provided however, that (i) such option may not be exercised more frequently than annually and (ii) the obligation by the Obligated Group to purchase such Long Term Indebtedness is subject to the availability of funds for such purpose from the remarketing or re-sale of such Long Term Indebtedness to a new holder or holders.

“Event of Default” means any event of default under the Master Indenture, as defined under the caption “THE MASTER TRUST INDENTURE – Events of Default” herein.

“Facilities” means, with respect to any Member, any or all of such Member’s land, buildings, fixtures, equipment, furnishings and other physical assets and facilities, including any of the foregoing which is now or hereafter owned by such Member or is now or hereafter otherwise operated by such Member under a lease, license, operating agreement or other comparable contractual arrangement.

“Financial Advisor” means an Independent investment banking or financial advisory firm which is appointed by the Obligated Group Agent for the purpose of passing on questions relating to the availability and terms of Long Term Indebtedness for the Obligated Group or a Member of the Obligated Group and is actively engaged in and has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of Long Term Indebtedness incurred by entities engaged in reasonably comparable endeavors.

“Fiscal Year” means the fiscal year of each Member, which is initially the period of twelve consecutive months ending on December 31 of each year, and may thereafter be such period of twelve

consecutive months ending on such other date as may be specified in an Obligated Group Agent's Certificate delivered to the Master Trustee; provided, however, that all Members of the Obligated Group shall have the same Fiscal Year.

"Forecast" means any report, financial forecast or feasibility study with respect to forecasted financial matters of the Obligated Group prepared, reviewed, examined or reported upon by an Accountant or Financial Advisor in accordance with applicable standards.

"Forecasted Debt Service Coverage Ratio" means for any future period of time the number determined by dividing (A) the forecasted Net Revenues Available for Debt Service of the Obligated Group for the specified future period, by (B) the forecasted Maximum Annual Debt Service Requirements calculated with respect to all Long Term Indebtedness of the Obligated Group forecasted to be Outstanding as of the last day of the specified future period.

"Government Obligations" means (i) direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America; and (ii) evidences of ownership of proportionate interest in specified direct obligations of, or specified obligations the timely payment of the principal of and the interest on which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

"Guaranty" means any obligation of a Member of the Obligated Group, whether or not issued under the Master Indenture as a Master Indenture Guaranty, under the terms of which the Member guarantees in any manner (including by reason of its status as a general partner of a partnership), whether directly or indirectly, any obligation in the nature of Long Term Indebtedness or Short Term Indebtedness of any Person other than another Member.

"Hedging Obligation" means an Obligation, expressly identified as such in (a) a Supplemental Master Indenture or (b) an Officer's Certificate delivered to the Master Trustee, as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a basis swap, a yield curve swap, a currency swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) or similar instrument and which arrangement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Historical Debt Service Coverage Ratio" means for any period of time the number determined by dividing (A) the Net Revenues Available for Debt Service of the Obligated Group for the specified period, by (B) the Maximum Annual Debt Service Requirements for the Obligated Group calculated with respect to all Long Term Indebtedness Outstanding as of the last day of the specified period.

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

"Indebtedness" means and includes: (a) all Obligations; and (b) any additional obligation for the payment of money to a Person other than a Member of the Obligated Group, which obligation is incurred, assumed or guaranteed by a Member of the Obligated Group and is in the form of (i) a loan, (ii) an installment sale agreement or other comparable arrangement to provide for the acquisition, renovation or

construction of capital assets, (iii) a Guaranty, or (iv) any other extension of credit by a third party which is properly treated as indebtedness under generally accepted accounting principles. Indebtedness shall not include, and nothing in the Master Indenture shall be deemed to restrict, the incurrence by a Member of the Obligated Group of current liabilities in the ordinary course of business.

“Independent” means, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder (each, a “controlling person”) who is a member of the Board of any Member or “affiliate” (as defined below), or an officer or employee of a Member of the Obligated Group or affiliate. A Person which is or has a controlling Person who is an officer or member of the Board of a Member of the Obligated Group or affiliate (but not an employee of either) may nevertheless be deemed Independent, provided that such Person and the Member or affiliate have each determined, with due regard to the nature and scope of the services required to be performed by such Person and any standards of professional conduct applicable thereto, that the relationship in question will not prevent such Person from performing the required services in a fair and reasonable manner as contemplated by the Master Indenture. For the purposes of the foregoing, a Person shall be deemed to be an “affiliate” if it controls or is controlled by a Member of the Obligated Group or if both are controlled by the same third party, as set forth below: (a) one Person shall be deemed to control another if it owns more than 50% of the outstanding voting stock of or other equity interests in the other, or it has the power to elect more than 50% of the governing body of the other; and (b) such control may be exercised by one Person over another directly, indirectly through control over a third party, or jointly with one or more controlled third parties.

“Initial Supplemental Master Indenture” means the Supplemental Master Trust Indenture No. 1, dated of even date with the Master Indenture and executed and delivered by the Obligated Group Agent and the Master Trustee concurrently with the execution and delivery of the Master Indenture to provide for the issuance and delivery of the Series 2017 Master Notes.

“Insurance Consultant” means an Independent firm of insurance agents, brokers or consultants which is appointed by the Obligated Group Agent for the purpose of reviewing and recommending insurance coverages for the Facilities and operations of one or more Members of the Obligated Group or of the entire Obligated Group, and has a favorable reputation for skill and experience in performing such services in respect of Facilities and operations of a comparable size and nature.

“Interest Rate Agreement” means any interest rate swap, hedge, cap, collar or other similar instrument or agreement entered into by a Member of the Obligated Group for the purpose of hedging or altering the interest payments associated with any Indebtedness.

“Interim Indebtedness” means any Indebtedness that (a) matures not more than seven years from its date of issuance or incurrence; and (b) is issued or incurred to finance the construction and development of Facilities that are forecasted to generate Entrance Fees (other than Resale Entrance Fees).

“Investment Grade Rating” means a rating issued by a Rating Agency in one of such Rating Agency’s four highest long-term Rating Categories.

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on any Property of a Member of the Obligated Group in favor of, or which secures any Indebtedness or any other obligation of such Member to, another Person.

“Liquidity Covenant” means the covenant described under “THE MASTER TRUST INDENTURE – Liquidity Covenant” herein.

“Long Term Indebtedness” means all Indebtedness other than Short Term Indebtedness, Non-Recourse Indebtedness and Subordinated Indebtedness.

“Master Indenture” means the Master Trust Indenture by and among the Members of the Obligated Group and the Master Trustee, dated as of August 1, 2017, as it may be supplemented or amended from time to time.

“Master Indenture Guaranty” means any Obligation issued under the Master Indenture by a Member of the Obligated Group, under the terms of which the Member guarantees in any manner, whether directly or indirectly, any obligation in the nature of Long Term Indebtedness or Short Term Indebtedness of any Person other than another Member.

“Master Trustee” means UMB Bank, N.A., acting as master trustee under the Master Indenture, and all successors and assigns.

“Maximum Annual Debt Service Requirements” means, as of the date of calculation, the highest annual Debt Service Requirements for the Obligated Group payable during the then current or any succeeding Fiscal Year over the remaining term of all Long Term Indebtedness outstanding as of such date.

“Measuring Period” means the 12 month period ending on (i) the last day of the second quarter of each Fiscal Year of the Obligated Group, and (ii) the last day of each Fiscal Year of the Obligated Group.

“Member,” “Member of the Obligated Group” or “Obligated Group Member” means Wesley, the Foundation, Pennypack Park, Upper Moreland, Main Line, Home Partners, Doylestown, Stapeley and any Person who is listed on Exhibit A of the Master Indenture after designation as a Member of the Obligated Group pursuant to the terms of the Master Indenture, for such time as any such Member remains a Member under the Master Indenture. The Obligated Group Agent may from time to time deliver a revised Exhibit A to the Master Trustee, indicating additions or deletions of Members of the Obligated Group, in accordance with the terms of the Master Indenture.

“Mortgage” means each of (i) the Open-End Mortgage and Security Agreement from Pennypack Park to the Master Trustee, effective concurrently with the issuance and delivery of the Series 2017 Master Notes, (ii) the Open-End Mortgage and Security Agreement from Upper Moreland to the Master Trustee, effective concurrently with the issuance and delivery of the Series 2017 Master Notes, (iii) the Open-End Mortgage and Security Agreement from Main Line to the Master Trustee, effective concurrently with the issuance and delivery of the Series 2017 Master Notes, (iv) the Open-End Mortgage and Security Agreement from Doylestown to the Master Trustee, effective concurrently with the issuance and delivery of the Series 2017 Master Notes, (v) the Open-End Mortgage and Security Agreement from Stapeley to the Master Trustee, effective concurrently with the issuance and delivery of the Series 2017 Master Notes, and (vi) any additional mortgage or mortgages, including any amendments or supplements to the mortgages set forth in (i) through (v) of this definition, granted in favor of the Master Trustee by any future Member of the Obligated Group.

“Net Revenues Available for Debt Service” means, for any period for which calculated and for any one or more Members of the Obligated Group or for the Obligated Group, as the context requires, the total net increase in unrestricted assets (or in the case of any for-profit entity, net income after tax), as determined in accordance with generally accepted accounting principles during the period under consideration:

- (a) from which there shall be deducted the amount of any revenues or gains:

- (i) resulting from the disposition of Property other than in the ordinary course of business;
 - (ii) resulting from the extinguishment of Indebtedness of the Member; and
 - (iii) resulting from the valuation of investment securities (including Interest Rate Agreements) at market value or representing any other unrealized gains; and
- (b) to which there shall be added any expenses or losses:
- (i) for depreciation and other non-cash charges attributable to the ownership of any Facilities (other than Facilities securing Non-Recourse Indebtedness); or
 - (ii) for amortization of financing charges attributable to Long Term Indebtedness; or
 - (iii) for interest on Long Term Indebtedness (other than interest payable from Qualified Escrows); or
 - (iv) resulting from the disposition of Property other than in the ordinary course of business; or
 - (v) resulting from the valuation of investment securities (including Interest Rate Agreements) at market value or representing any other unrealized losses; and
- (c) which shall be further adjusted by adding to such amount the amount of any Entrance Fees actually received (i.e. on a cash rather than an accrual basis) in the period, but subtracting therefrom (x) the amount of any amortization included in such period in respect of Entrance Fees, and (y) the amount of any Entrance Fees refunded (excluding Entrance Fees refunded using amounts drawn from an Entrance Fee Refund Reserve Fund) in such period; and
- (d) which shall be further adjusted to include all Net Revenues Available for Debt Service of any Person (if positive) that has outstanding Indebtedness (such terms being applicable as if such Person were a Member of the Obligated Group) that is guaranteed by the Obligated Group or any Member of the Obligated Group pursuant to any Guaranty, but only to the extent, by percentage of such Person's Net Revenues Available for Debt Service, that such Guaranty is counted toward Debt Service Requirements as described in subpart (b)(x) under the caption "THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness" herein and subject to the limitation that in no case shall the inclusion of such amount result in a Debt Service Coverage Ratio (whether Forecasted Debt Service Coverage Ratio, Historical Debt Service Coverage Ratio or Pro Forma Historical Debt Service Coverage Ratio) that is higher than what it otherwise would be without taking into account the Net Revenues Available for Debt Service of such Person and the Debt Service Requirements on the applicable Guaranty; and
- (e) which shall be further adjusted only for the purpose of calculating Net Revenues Available for Debt Service for the purpose of determining compliance with the Rate Covenant by disregarding (i.e. adding back items of expense and subtracting items of income) all Excluded Debt Service and Net Income.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien on the Property of a Member of the Obligated Group, the liability for which is effectively limited to such Property, the purchase, acquisition or improvement of substantially all of which was financed with the proceeds of such

Non-Recourse Indebtedness and which is subject to such Lien, with no recourse, directly or indirectly, to any Member or any other Property of any Member.

“Note” means any Debt Obligation issued under the Master Indenture in the form of a Note to evidence Long Term Indebtedness or Short Term Indebtedness incurred pursuant to the terms of the Master Indenture.

“Noteholder” means the Person in whose name the Note is registered pursuant to the Master Indenture.

“Obligated Group” or “Obligated Group Members” means, collectively, all of the Members of the Obligated Group.

“Obligated Group Agent” means, initially, Wesley, or, at any other time, such other Member as shall have been designated by the Members of the Obligated Group upon written notice to the Master Trustee to act in such capacity.

“Obligations” means any Debt Obligation, Hedging Obligation, Ancillary Obligation or other evidence of an obligation authorized to be issued by a Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to the Master Indenture.

“Outstanding” means, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof canceled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

“Outstanding Obligations” or “Obligations Outstanding” or “Outstanding”, when used with respect to Obligations, means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(A) Obligations canceled after purchase in the open market or because of payment at or prepayment or redemption prior to maturity;

(B) Obligations (i) for the payment or redemption of which cash or Escrow Securities shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) securing Related Bonds for the payment or redemption of which cash or Escrow Securities shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(C) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(D) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, Obligations held or owned by a Member of the Obligated Group.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are Outstanding.

“Outstanding Related Bonds” or “Related Bonds Outstanding” means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related Bond Indenture does not specify when Related Bonds are deemed outstanding under the Master Indenture, all such Related Bonds which have been so authenticated and delivered, except:

(A) Related Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(B) Related Bonds for the payment or redemption of which cash or Escrow Securities shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(C) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture; and

(D) For the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture, Related Bonds held or owned by a Member of the Obligated Group.

“Permitted Investments” shall mean (a) with respect to any amounts held under a Related Bond Indenture, the investments permitted thereby, and (b) in all other cases such legal and prudent investments as are designated by the Obligated Group Agent.

“Permitted Liens” means the Master Indenture and any Lien securing payment of the obligations of the Members of the Obligated Group under the Master Indenture, including the Mortgages, and, as of any particular time, the following:

(i) Liens arising by reason of good faith deposits with any Member in connection with tenders, leases of real estate, residency agreements, bids or contracts (other than contracts for the payment of money), deposits by any Member to secure public or statutory obligations, or to secure or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation

for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for institutions participating in such arrangements, along with any Lien provided to a financial institution in order to induce such institution to issue one or more letters of credit for the benefit of any governmental agency or any body created or approved by law or governmental regulation for any of the purposes described in this paragraph;

(iii) any judgment lien or notice of pending action against any Member so long as (i) the finality of such judgment is being contested in good faith and execution thereon is stayed, or (ii) in the absence of such a contest and stay, neither the pledge and security interest of the Master Indenture nor any Property of the Member will be materially impaired or subject to material loss or forfeiture;

(iv) 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, to (i) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such property for its intended purpose or materially and adversely affect the value thereof, or (ii) purchase, condemn, appropriate or recapture, or designate a purchaser of such Property;

(v) 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 and laborers 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 the amount or validity of which are being contested in good faith and on which execution is stayed;

(vi) any lease (including any residency agreement) relating to the Property of a Member of the Obligated Group which, in the judgment of such Member, is reasonably necessary or appropriate for, or incidental to the proper and economical operation of such Property, taking into account the nature and terms of the lease and the nature and purposes of the Property subject thereto, provided that the terms of any Lien granted pursuant to this clause shall not prohibit or otherwise impair the right of the Master Trustee to receive and record any Mortgage or otherwise limit or impair the effectiveness or enforceability of any such Mortgage;

(vii) utility, access and other easements, rights-of-way, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property for its intended purpose or materially and adversely affect the value thereof;

(viii) 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, which rights have not been violated and do not materially impair the use of such Property for its intended purposes or materially and adversely affect the value thereof;

(ix) any Lien described in Exhibit B to the Master Indenture which is existing on the date of the original execution of the Master Indenture; provided that no such Lien (or the amount of Indebtedness secured thereby) shall be increased, extended, renewed, or modified to apply to any Property of any Member not subject to such Lien on such date unless such Lien as so

increased, extended, renewed or modified otherwise constitutes a Permitted Lien under the Master Indenture;

(x) any Lien securing Indebtedness of a Member of the Obligated Group provided that such Lien also secures all Obligations (other than Obligations constituting Non-Recourse Indebtedness or Subordinated Indebtedness) on a parity basis;

(xi) any Lien granted by a Member of the Obligated Group prior to its entry into the Obligated Group, provided that, if granted to secure Indebtedness incurred in anticipation of such entry, the Lien shall be permitted only if it otherwise satisfies the requirements of the Master Indenture as of the date of the Member's entry into the Obligated Group;

(xii) any Lien on moneys deposited by any Person (including any resident under a residency agreement) as security for or in prepayment of the cost of services;

(xiii) any Lien on third party reimbursement arising in favor of the payor as recoupment of previous overpayments to a Member of the Obligated Group;

(xiv) any Lien or encumbrance granted by one Member in favor of another Member;

(xv) any Lien in favor of a trustee or the Holder of a Note on the proceeds of the Indebtedness or cash or investments deposited with such trustee or Holder prior to the application of such proceeds or cash or investments;

(xvi) any Lien on Property received by a Member of the Obligated Group through gifts, grants or bequests, or on the income therefrom, as a result of restrictions arising as a result of the terms of such gift, grant or bequest;

(xvii) any Lien in the form of a purchase money mortgage or security interest in Property the acquisition of which is financed with the proceeds of the Indebtedness secured thereby;

(xviii) any Lien granted to secure any Short Term Indebtedness incurred in compliance with the provisions of the Master Indenture summarized under "THE MASTER TRUST INDENTURE – Short Term Indebtedness" herein;

(xix) any Lien on any funds or accounts established pursuant to the Master Indenture or any Related Financing Documents;

(xx) Liens on any Property of any Member securing Indebtedness of the Member; provided that the Value of all Property of the Members of the Obligated Group subject to Liens permitted under this clause does not exceed, in the aggregate, an amount equal to 20% of the Value of all PP&E of the Members of the Obligated Group (excluding any portion thereof which secures Non-Recourse Indebtedness);

(xxi) any Lien arising out of a capitalized lease;

(xxii) any Lien on any Property given (by mortgage, security interest, conveyance in trust, deed, sale, or lease) in order to satisfy the customary legal or policy requirements of any Related Issuer with respect to their issuance of any Related Bonds;

(xxiii) any Lien that may be required from time to time to satisfy any collateralization requirements relating to any Hedging Obligation;

(xxiv) any Lien on Property securing Non-Recourse Indebtedness; and

(xxv) any Lien in favor of the Commissioner of Insurance of the Commonwealth of Pennsylvania pursuant to the provisions of the Pennsylvania Continuing-Care Provider Registration and Disclosure Act, or any Lien in favor of any other governmental agency under the provisions of any similar law in any jurisdiction in which any of the Facilities of any Member are located.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a joint venture, a trust, an estate, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

“Pledged Revenues” means (a) all revenues of the Members of the Obligated Group from whatever source derived, (b) all accounts, general intangibles, documents, instruments and chattel paper (as each such term is defined under the Uniform Commercial Code of each applicable jurisdiction), including all Receivables, of each Member, now owned or hereafter acquired, and (c) all proceeds of the foregoing; provided, however, that the Pledged Revenues shall not include (i) any Property the use of which is restricted by reason of the terms of any law or any gift, grant or bequest to purposes which do not include the payment of the Debt Service Requirements on any Obligations; and (ii) any Property securing, or which is derived from the operation of Facilities which secure, Non-Recourse Indebtedness.

“Pledged Revenue Account” means the account established in accordance with the provisions of the Master Indenture summarized under “THE MASTER TRUST INDENTURE – Security for Obligations; Pledge of Pledged Revenues; Granting of Mortgages” herein.

“PP&E” or “Property, Plant and Equipment” means all Property of the Obligated Group classified as property, plant and equipment in accordance with generally accepted accounting principles.

“Pro Forma Historical Debt Service Coverage Ratio” means for any period of time the number determined by dividing (A) the Net Revenues Available for Debt Service of the Obligated Group for the specified period, by (B) the Maximum Annual Debt Service Requirements for the Obligated Group calculated with respect to all Long Term Indebtedness Outstanding as of the date of calculation, excluding the Maximum Annual Debt Service on any Long Term Indebtedness being refunded with the Indebtedness then proposed to be issued, together with the Long Term Indebtedness proposed to be Outstanding.

“Project” shall mean and include the financing of capital improvements of a Member of the Obligated Group secured by any Obligation issued under the Master Indenture.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible, including cash, and wherever located.

“Qualified Escrow” means a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long Term Indebtedness previously incurred and then Outstanding (in the Master Indenture referred to as “prior Indebtedness”) or for Refunding Indebtedness, if any, then to be incurred to refund Outstanding prior Indebtedness, and is held by the holder of the prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such

holder, (b) is held in cash or invested in Permitted Investments, and (c) is required by the documents establishing such fund or account to be applied toward a Member of the Obligated Group's payment obligations in respect of the prior Indebtedness, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the refunding Indebtedness to be made from the fund or account prior to the date on which the prior Indebtedness is repaid in full.

"Qualified Financial Institution" means a bank, trust company, national banking association, insurance company or other financial services company whose unsecured long term debt obligations or insurance claims paying abilities (as applicable) are rated by a Rating Agency in any of its three highest long-term Rating Categories or which is a wholly owned subsidiary of a bank holding company or a financial services company, which meets such rating criteria, so long the obligations of such subsidiary are fully guaranteed by such parent entity.

"Rate Covenant" means the covenant of the Members of the Obligated Group summarized under "THE MASTER TRUST INDENTURE – Rate Covenant" herein.

"Rating Agency" means any of the following organizations (or their respective successor organizations, if applicable) if such organization maintains a rating on any Obligations (or Indebtedness secured by Obligations) at the time in question: (a) Moody's Investors Service, Inc.; (b) S&P Global Ratings; (c) Fitch Ratings; or (d) such other nationally recognized credit rating organization as may be designated by the Obligated Group Agent and acceptable to the Master Trustee.

"Rating Category" means, with respect to a particular investment or Credit Facility or to the provider thereof, any of the principal Rating Categories which are assigned by a Rating Agency to investments, credit facilities or providers of the type in question; provided that distinctions within any such principal Rating Category (including distinctions identified by numerical symbols or symbols such as "+" or "-") shall be disregarded for purposes of any specific Rating Category or minimum Rating Category required under the Master Indenture.

"Receivables" means any and all "accounts" of the Members of the Obligated Group, including all proceeds thereof, as defined in the Pennsylvania Uniform Commercial Code;

"Refunding Indebtedness" means Long Term Indebtedness incurred for the purpose of refinancing, repurchasing, replacing, refunding or otherwise retiring other Long Term Indebtedness and in connection with which, upon the issuance thereof, the Master Trustee shall have received an opinion of Counsel to the effect that such refunded Long Term Indebtedness is no longer Outstanding.

"Regulatory Body" means any federal, state or local government, department, agency, authority or instrumentality and any other public or private organization, including accrediting bodies, having regulatory jurisdiction and authority over any Member or the Facilities or operations of any Member.

"Related Bond Indenture" means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"Related Bond Trustee" means any trustee under any Related Bond Indenture and any successor trustee under the Master Indenture or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

"Related Bonds" means (a) any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political

subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such governmental issuer and (b) any revenue or general obligation bonds, notes or other forms of indebtedness issued by any Member or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds, notes or other forms of indebtedness or the Related Bond Trustee.

“Related Financing Documents” means Related Bond Indentures, Related Loan Documents and:

(a) in the case of any Note, (i) all documents pursuant to which the proceeds of the Note (or of any debt evidenced or secured thereby) are made available to a Member of the Obligated Group, the payment obligations evidenced by the Note are created and any security for the Note (if permitted under the Master Indenture) is granted, and (ii) all documents creating any additional payment or other obligations on the part of a Member of the Obligated Group which are executed in favor of the Noteholder in consideration of the proceeds of the Note (or of any debt evidenced or secured thereby) being loaned or otherwise made available to the Member or, in the case of Commitment Indebtedness, executed in favor of the issuer of the applicable Credit Facility;

(b) in the case of any Master Indenture Guaranty, all documents creating the Indebtedness being guaranteed pursuant to the Master Indenture Guaranty and providing for the loan or other disposition of the proceeds of the Indebtedness and all documents pursuant to which any security for the Master Indenture Guaranty (if permitted under the Master Indenture) is granted; and

(c) in the case of any Indebtedness other than Notes or Master Indenture Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

“Related Issuer” means any issuer of a series of Related Bonds.

“Related Loan Document” means any document or documents (including without limitation any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are loaned to, advanced to or made available to or for the benefit of any Member (or any Property financed or refinanced with such proceeds is leased, sublet or sold to a Member).

“Resale Entrance Fees” means all Entrance Fees received by any Member pursuant to any agreement with respect to the granting of rights to the exclusive use of any residential unit that has been previously occupied by another resident and which comprises a part of the Facilities.

“Series 2017 Master Notes” means the Notes issued under and pursuant to the First Supplemental Master Indenture.

“Short Term Indebtedness” means any Indebtedness which (a) matures not later than one year after it is incurred or is payable upon demand within such period at the option of the holder and (b) is not subject to extension at the option of the borrower for a term extending beyond the initial one year period; provided that the term Short Term Indebtedness shall not include (i) any Non-Recourse Indebtedness, (ii) any Subordinated Indebtedness, (iii) any Demand Indebtedness, or (iv) the current portion of any Long Term Indebtedness. For the purposes of clause (a) above, Indebtedness shall be deemed to have a stated maturity in excess of one year if issued in the form of commercial paper or other similar instruments under a program which has an expected term in excess of one year and which provides for the periodic

issuance of debt obligations to repurchase, redeem or otherwise retire debt obligations previously issued under the program.

“Stabilized Occupancy” means the forecasted occupancy percentage upon completion and stabilization for any Facility the acquisition, construction, renovation, or replacement of which was financed in whole or in part with Long Term Indebtedness, as reflected in any Forecast prepared in connection with such financing (or if, no Forecast was prepared in connection with such financing, a report of the Obligated Group Agent delivered to the Master Trustee in accordance with clause (a) of the definition of Excluded Debt Service and Net Income).

“Subordinated Indebtedness” means Indebtedness which is expressly made subordinate and junior to all Obligations as to right of payment and the priority of any Liens (if any), with the effect that (i) no payment shall be made under any Subordinated Indebtedness if, at the time of such payment, any sums then due under any Obligations (including sums due by acceleration) remain unpaid, and (ii) no Subordinated Indebtedness may be accelerated until such time as no Obligations remain Outstanding, and (iii) the holder of such Subordinated Indebtedness shall have no right to exercise remedies with respect to any Liens on any Property of the Member or Issuers securing such Subordinated Indebtedness unless and until the Master Trustee shall have exercised all remedies with respect to Liens on such Property securing any Obligations.

“Supplemental Master Indenture” means a Master Indenture supplemental to, and authorized and executed pursuant to the terms of the Master Indenture.

“Total Expenses” means the total operating and non-operating expenses for any one or more of the Members of the Obligated Group or the entire Obligated Group (as the context requires), determined in accordance with generally accepted accounting principles; provided, however that no determination thereof shall take into account (i) any loss resulting from the extinguishment of indebtedness or the sale, exchange or other disposition of investments or capital assets not in the ordinary course of business, or (ii) any unrealized loss on investments.

“Total Revenues” means, for any one or more of the Members of the Obligated Group or the entire Obligated Group (as the context requires), all amounts constituting revenues for the period in question under generally accepted accounting principles, less (to the extent included in the calculation of revenues) (i) contractual allowances and discounts, (ii) provision for free care, and (iii) revenues properly attributable to Facilities securing Non-Recourse Indebtedness.

“Unrestricted Cash and Investments” means the sum of all cash, cash equivalents and marketable securities of the Obligated Group, including without limitation board-designated assets, amounts held in any Entrance Fee Refund Reserve Fund and amounts held in any Self-Insurance Trust Fund established by any Member of the Obligated Group, but excluding any assets that are held in any other funds restricted as to use in a manner not permitting their use for normal operating expenses of the Corporation.

“Value” means, with respect to any Property, the net book value of such Property as reflected on the financial statements of the Obligated Group in accordance with generally accepted accounting principles; provided, however, that with respect to any real property or tangible personal property of a Member of the Obligated Group, at the option of such Member as evidenced by an Obligated Group Agent’s Certificate, the Value of any Property shall be the fair market value thereof as reflected in a report dated not earlier than two (2) years prior to the date of such Certificate of a reputable appraiser and which, in the case of any real property, shall be a member of the American Institute of Real Estate Appraisers (MAI), to which fair market value shall be added the cost of any additional Property

comprising a part of the Property appraised since the date of such appraisal and from which shall be deducted the fair market value of any such Property disposed of since the date of such appraisal.

“Variable Rate Indebtedness” means any Long Term Indebtedness the rate of interest on which is subject to change on a periodic basis prior to maturity.

THE MASTER TRUST INDENTURE

The following summarizes certain provisions of the Master Trust Indenture but is not to be regarded as a full statement thereof.

Accounting Principles.

(a) Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with generally accepted accounting principles at the time in effect (unless otherwise expressly provided for in the Master Indenture), consistently applied, provided that intercompany balances and liabilities among the Members of the Obligated Group shall be disregarded and that the requirements set forth in the Master Indenture shall prevail, if inconsistent with generally accepted accounting principles.

(b) Terms used in the Master Indenture that correspond to the characterization of assets or liabilities, or to items of income or expense, reflected on the financial statements of the Obligated Group prepared in accordance with the provisions of the Master Indenture, unless the context clearly requires otherwise, shall be construed in a manner consistent with the Obligated Group’s financial statements.

(c) In the event of any change in the manner of presentation of the financial statements of the Obligated Group as prepared in accordance with generally accepted accounting principles as they may apply at any future time, the references in the Master Indenture to financial and accounting terms shall be construed in a manner that is consistent with the financial statement presentation of the Obligated Group and will, in the reasonable judgment of the Obligated Group Agent, most closely reflect the original intent of the Master Indenture.

Issuance of Obligations; Form and Terms Thereof.

No Obligations may be issued under the provisions of the Master Indenture except in accordance with terms of the Master Indenture. Other than the Obligated Group Agent, no authorization or approval of any Member of the Obligated Group is required under the Master Indenture for the issuance of Obligations. No Obligations may be issued under the Master Indenture unless (a) such Obligation is executed by the Obligated Group Agent; or (b) with the written consent of the Obligated Group Agent, such Obligation is executed by any other Member of the Obligated Group. The total amount of Obligations, the number of Obligations and the series of Obligations that may be created under the Master Indenture is not limited and shall be as set forth in the Supplemental Master Indentures providing for the issuance thereof. Each series of Obligations shall be issued pursuant to a Supplemental Master Indenture. Each series of Obligations shall be designated so as to differentiate the Obligations of such series from the Obligations of any other series. Unless provided to the contrary in a Supplemental Master Indenture, Obligations shall be issued as fully registered Obligations.

Payment of Obligations.

The principal of, premium, if any, and interest on the Obligations, and any other amounts due under any Obligation, shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such amounts shall be payable at the designated corporate trust office of the Master Trustee or at the office of any Related Bond Trustee named in any such Obligation or in a Related Bond Indenture or to the registered owner of such Obligation, as may be provided in such Obligation. Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued or the election referred to in the next sentence is made, payments on the Obligations shall be made to the Person appearing on the registration books of the Obligated Group (kept in the corporate trust office of the Master Trustee or its agent as Obligation registrar) as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at its address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such holder; provided, however, that any Supplemental Master Indenture creating any Obligation may provide that amounts due under such Obligation may be paid, upon the request of the holder of such Obligation, by wire transfer or by such other means as are then commercially reasonable and acceptable to the holder thereof and the Master Trustee. The foregoing notwithstanding, if a Member so elects, or if an Obligation so provides, payments on such Obligation shall be made directly by such Member, by check or draft delivered to the holder thereof or its designee or shall be made by such Member by wire transfer to such holder, or by such other means as are then commercially reasonable and acceptable to the holder thereof, in any case delivered on or prior to the date on which such payment is due. Upon the reasonable written request of the Master Trustee, each Member shall provide information identifying the Obligation or Obligations with respect to which such payment, specifying the amount, was made, by series, designation, number and registered holder. Except with respect to Obligations directly paid to or upon the order of the holder thereof, or as otherwise may be provided in a Supplemental Master Indenture, the Members agree to deposit with the Master Trustee prior to each due date of the principal of, premium, if any, or interest on any of the Obligations a sum sufficient to pay such principal, premium, if any, or interest so becoming due. Any such moneys shall upon written request and direction of the Obligated Group Agent be invested in Permitted Investments. The foregoing notwithstanding, amounts deposited with the Master Trustee to provide for the payment of Obligations pledged to the payment of Related Bonds shall be invested in accordance with the provisions of the Related Bond Indenture and Related Loan Document. The Master Trustee shall not be liable or responsible for any loss resulting from any such investments made in accordance with the terms of the Master Indenture. Supplemental Master Indentures may create such security including debt service reserve funds and other funds as are necessary to provide for payment or to hold moneys deposited for payment or as security for a related series of Obligations.

Issuance of Obligations in Forms Other than Notes.

To the extent that any Debt Obligation, any Hedging Obligation or any Ancillary Obligation is not in the form of a promissory note, including, but not limited to, a Guaranty, an Obligation in the form of a promissory note may be issued under the Master Indenture and pledged as security for the payment of the amounts due under any such Obligation. Nevertheless, the parties hereto agree that Obligations may be issued under the Master Indenture to evidence any type of obligation, including but not limited to, Indebtedness in a form other than a promissory note. In addition, any Hedging Obligation or Ancillary Obligation may be authenticated as an Obligation under the Master Indenture. Consequently, the Supplemental Master Indenture pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to permit the issuance of such Obligation under the Master Indenture and as are not inconsistent with the intent of the Master Indenture that, except as otherwise expressly provided in the Master Indenture, all Obligations issued under the Master Indenture be equally and ratably secured under the Master Indenture, including

by the pledge of the Pledged Revenues created under the Master Indenture. Any Hedging Obligation or Ancillary Obligation which is authenticated as an Obligation under the Master Indenture shall be equally and ratably secured under the Master Indenture with all other Obligations issued under the Master Indenture, except as otherwise expressly provided in the Master Indenture; provided, however, that any such Hedging Obligation or Ancillary Obligation shall be deemed to be Outstanding under the Master Indenture solely for the purpose of receiving payment under the Master Indenture and shall not be entitled to exercise any rights under the Master Indenture, including but not limited to any rights to direct the exercise of remedies, to vote or to grant consents.

Anything in the Master Indenture to the contrary notwithstanding, the Obligated Group may issue Hedging Obligations pursuant to the Master Indenture, without designating in such Hedging Obligation or in the Supplemental Master Indenture pursuant to which such Hedging Obligation is issued, and without regard to, a notional or principal amount, to any provider of one or more interest rate swaps, forward or futures contracts, options, or similar contracts, in order to evidence and secure one or more of such swaps, contracts or options issued by or with the same provider during a single Fiscal Year or calendar year, as designated by the Obligated Group Agent.

Substitute Obligations upon Withdrawal of a Member.

In the event any Member ceases to be a Member of the Obligated Group in accordance with the provisions described under “THE MASTER TRUST INDENTURE – Release of Members of the Obligated Group” herein and, in compliance with subpart (a) described thereunder, another Member issues an Obligation under the Master Indenture pursuant to a Supplemental Master Indenture evidencing or assuming the Obligated Group’s obligation in respect of Related Bonds, if so provided for in such Obligation originally issued by such withdrawing Member, such Obligation shall be surrendered to the Master Trustee in exchange for a substitute Obligation without notice to or consent of any holder of Related Bonds, provided that such substitute Obligation provides for payments of principal, interest, premium and other amounts due under such Obligation identical to the surrendered Obligation and sufficient to provide all payments on any Related Bonds.

Appointment of Obligated Group Agent.

Each Member, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Agent as its agent and true and lawful attorney in fact and grants to the Obligated Group Agent (a) full power to execute any and all Obligations and any and all Supplemental Master Indentures and (b) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations under the Master Indenture, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith, in the name of the Obligated Group Agent and on behalf of all Members of the Obligated Group.

Additional Long Term Indebtedness.

(a) Except for the Series 2017 Master Notes and except as otherwise provided in subsections (b) and (c) below, no Member shall incur Long Term Indebtedness unless, as of the date of such incurrence, the Master Trustee shall have received one of the following:

(i) an Obligated Group Agent’s Certificate demonstrating and concluding that, for each of the two most recently completed Fiscal Years of the Obligated Group, the Pro Forma Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.20; or

(ii) an Obligated Group Agent's Certificate demonstrating and concluding that, for the most recently completed Fiscal Year of the Obligated Group, the Pro Forma Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.30; or

(iii) both:

(A) an Obligated Group Agent's Certificate demonstrating and concluding that, for the most recently completed Fiscal Year of the Obligated Group, the Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.20; and

(B) a Forecast demonstrating and concluding that the Forecasted Debt Service Coverage Ratio of the Obligated Group is not less than 1.25 for each of the first two full Fiscal Years immediately following:

(1) the incurrence of the Long Term Indebtedness; or

(2) in the case of Long Term Indebtedness incurred to finance the acquisition, construction or renovation of any Facilities, either the projected completion date thereof or the projected date of Stabilized Occupancy, in each case as specified in such Forecast, but in no case shall such date be later than four years after the date of incurrence of the Long Term Indebtedness.

(b) Compliance with the provisions of subsection (a) shall not be required:

(i) in the case of Completion Indebtedness, if the Master Trustee receives an Obligated Group Agent's Certificate to the effect that (A) the construction or renovations to be completed are of substantially the same type and scope as was contemplated at the time of the previous incurrence, (B) the proposed incurrence is reasonably necessary due to cost overruns or other circumstances not foreseen at the time of the previous incurrence, and (C) the proceeds of the Long Term Indebtedness to be incurred and other available moneys are expected to be sufficient to pay the estimated cost of completing such construction or renovations, and (D) the amount of the Completion Indebtedness does not exceed 10% of the Long Term Indebtedness originally incurred to finance the Project; or

(ii) in the case of Refunding Indebtedness, if the Master Trustee receives an Obligated Group Agent's Certificate demonstrating and concluding that, immediately following the incurrence of such Long Term Indebtedness, the Maximum Annual Debt Service Requirements of the Obligated Group will not exceed 110% of the Maximum Annual Debt Service Requirements of the Obligated Group immediately preceding such incurrence; or

(iii) in the case of Commitment Indebtedness; or

(iv) in the case of any conversion of Variable Rate Indebtedness to bear interest at a fixed rate or rates or to bear interest at variable rates determined at different intervals or on the basis of a different methodology; or

(v) in the case of any conversion of Demand Indebtedness resulting in the termination of the holders' rights to require such Demand Indebtedness to be repaid, repurchased or otherwise retired or resulting in a change in the terms under which such rights may be exercised; or

(vi) in the case of Non-Recourse Indebtedness; or

(vii) in the case of Subordinated Indebtedness; or

(viii) in the case of Long Term Indebtedness not otherwise permitted under this subsection (b), provided that the sum of (A) such Long Term Indebtedness, plus (B) the aggregate principal amount of all other Long Term Indebtedness then Outstanding and not otherwise permitted under this subsection (b), plus (C) any Balloon Indebtedness, plus (D) any Short Term Indebtedness incurred pursuant to the provisions summarized under “THE MASTER TRUST INDENTURE – Short Term Indebtedness” below, does not exceed 25% of the Total Revenues of the Obligated Group for the most recently completed Fiscal Year for which audited financial statements are then available, provided. If any Member incurs Long Term Indebtedness under this clause without compliance with the provisions of subsection (a) above and such Long Term Indebtedness (or any portion thereof) is later included in any Obligated Group Agent’s Certificate or Forecast delivered under subsection (a) above then such Long Term Indebtedness (or portion thereof) shall no longer be deemed incurred under this clause; or

(ix) in the case of Interim Indebtedness, provided that, prior to the incurrence thereof, the Master Trustee shall have received a Certificate of the Obligated Group Agent to the effect that the Entrance Fees forecasted to be generated from the Facilities to be financed with such Interim Indebtedness are not less than 100% of the principal amount of the Interim Indebtedness, and will be sufficient to provide for the payment in full of such Interim Indebtedness upon or prior to the occupancy of 95% of the available units in such Facilities; or

(x) in the case of any Guaranty: (A) if such Guaranty is of Indebtedness of another Member, which Indebtedness has been or could be incurred as Indebtedness under the Master Indenture in accordance with the provisions thereof, or (B) if such Guaranty could then be incurred by the Obligated Group as Long-Term Indebtedness under subpart (a) above or as Short-Term Indebtedness pursuant to the provisions summarized under “THE MASTER TRUST INDENTURE – Short Term Indebtedness” herein, , provided that in each case for purposes of any computations provided for in this paragraph (b)(x) and also for purposes of calculating the Debt Service Requirements with respect to such Guaranty: (1) with respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, such Guaranty shall be excluded and (2) with respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Long-Term Indebtedness, it shall be assumed that the indebtedness that is the subject of the Guaranty shall be repaid in accordance with its scheduled maturities, that the Guaranty shall have identical repayment terms and that such Guaranty shall be deemed Long-Term Indebtedness of the Obligated Group in accordance with the following schedule:

Historical Debt Service Coverage Ratio of the Person whose indebtedness is subject to a Guaranty (calculated as set forth in the Master Indenture for the most recent fiscal year of such Person for which audited financial statements are available)	Percentage of the principal amount of the guaranteed indebtedness deemed to be Long-Term Indebtedness of the Obligated Group and Percentage of Debt Service Requirements of guaranteed indebtedness included in the Debt Service Requirements of the Obligated Group
Greater than 1.75	0%
1.50 to and including 1.75	25%
1.30 to and including 1.49	50%
1.20 to and including 1.29	75%
Less than 1.20 (or no available audited financial statements)	100%

Notwithstanding the foregoing, if any Member of the Obligated Group is required to make a payment on such indebtedness pursuant to any Guaranty, 100% of the principal amount of the guaranteed indebtedness shall be deemed Long-Term Indebtedness of the Obligated Group and included in the Debt Service Requirements of the Obligated Group for a period of two Fiscal Years following the Fiscal Year in which the most recent payment was made under such Guaranty.

(xi) in the case of funds borrowed from another Member of the Obligated Group;

(xii) in the case of Indebtedness incurred in the ordinary course of business;

(xiii) in the case of Indebtedness, either on behalf of itself or in the form of a guaranty or confirmation of liability with respect to an affiliate, incurred directly or indirectly with respect to a self-insurance or captive insurance program benefiting any Member of the Obligated Group; and

(xiv) Indebtedness incurred or deemed incurred by virtue of any recourse obligation associated with any sale or assignment of accounts receivable, but in no event in an amount in excess of the monetary consideration received from any such sale or assignment.

Additional Provisions Concerning Certain Forms of Long Term Indebtedness.

For the purposes of the Master Indenture (including, without limitation thereto, the provisions described under “THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness”), the Debt Service Requirements on any Balloon Indebtedness, Demand Indebtedness, Extendable Indebtedness or Variable Rate Indebtedness shall be calculated as follows:

(a) Balloon Indebtedness. The Debt Service Requirements on Balloon Indebtedness shall be calculated on the basis of the actual repayment provisions thereof, including all payments due in any Balloon Payment Year, except at the election of the Member incurring the same or the Obligated Group Agent, the Debt Service Requirements on Balloon Indebtedness may be deemed equal to the estimated Debt Service Requirements on an equal amount of Long Term Indebtedness (other than Balloon Indebtedness) payable on a level debt service basis over a term equal to the stated term of such Indebtedness (but not to exceed 25 years), at an interest rate determined by a Financial Advisor to be

reasonably available to the Member at the time of each calculation of Debt Service Requirements on the Balloon Indebtedness (and set forth in a Certificate delivered by the Financial Advisor to the Master Trustee in connection with such calculation).

(b) Demand Indebtedness. The Debt Service Requirements on Demand Indebtedness may, at the election of the Member incurring the same or the Obligated Group Agent, (i) be deemed to be Balloon Indebtedness, with Debt Service Requirements calculated as provided in (a) above, or (ii) be deemed to bear interest and amortize in accordance with the terms of such Indebtedness or pursuant to a contractual agreement with the holder of such Indebtedness, without giving effect to the put right of the holder of such Indebtedness, so long as no event of default is then existing with respect to such Indebtedness on the part of the Obligated Group at the time of calculation.

(c) Extendable Indebtedness. The Debt Service Requirements on any Extendable Indebtedness shall include in any Fiscal Year only the required interest payments thereon, together with any schedule principal payments thereon, and shall not include any principal subject to optional tender or repurchase.

(d) Variable Rate Indebtedness. For the purposes of determining the Debt Service Requirements on any Variable Rate Indebtedness, such Indebtedness shall be deemed to bear interest (i) in respect of any Outstanding Indebtedness, at a rate equal to the average interest rate on such Indebtedness for the twelve (12) months immediately preceding the month prior to such calculation, or, if such Indebtedness shall have had a variable rate for less than a twelve (12) month period, the average interest rate for such lesser period, or (ii) in respect of any proposed Indebtedness, at a rate equal to the initial rate established for such Indebtedness, in each case as set forth in an Obligated Group Agent's Certificate.

(e) Non-Recourse Indebtedness. Non-Recourse Indebtedness may be incurred without limit.

(f) Subordinate Indebtedness. Subordinate Indebtedness may be incurred without limit.

(g) Obligations relating to Lines of Credit and Letters of Credit. For the purposes of the computation of the projected (but not historic) Debt Service Requirements for Obligations made with respect to Related Financing Documents under which a line of credit or letter of credit is issued to, on behalf of or for the benefit of, any Member, Debt Service Requirements shall take into account the reasonable expectations of the forecasted Debt Service Requirements on such Obligations, as determined in an Obligated Group Agent's Certificate and based on past precedent or historical practice in all cases where available and applicable.

(h) Provisions Not Mutually Exclusive. The provisions described under this heading "THE MASTER TRUST INDENTURE – Additional Provisions Concerning Certain Forms of Long Term Indebtedness," are not and shall not be deemed to be mutually exclusive. If two or more of the foregoing provisions are applicable to any particular Long Term Indebtedness, each such provision shall be applied, as and to the extent appropriate.

Short Term Indebtedness.

(a) Each Member may incur Short Term Indebtedness in a principal amount which, when added to the then outstanding principal amount of all Short Term Indebtedness previously incurred under this Section, does not exceed 15% of the Total Revenues of the Obligated Group for the most recently completed Fiscal Year immediately preceding such incurrence.

(b) For a period of not less than 20 consecutive days within each Fiscal Year, the Obligated Group shall reduce the aggregate principal amount of all outstanding Short Term Indebtedness to less than 5% of the Total Revenues of the Obligated Group for the most recently completed Fiscal Year. If the Obligated Group fails to reduce the principal amount of Short Term Indebtedness as provided in this subsection (b), such failure shall not constitute an Event of Default under the Master Indenture if the Obligated Group (i) delivers to the Master Trustee an Obligated Group Agent's Certificate to the effect that such failure has resulted from a delay or interruption in reimbursement by third party payors to Members of the Obligated Group which are health care providers and that the delay or interruption was not reasonably within the control of the Members of the Obligated Group affected thereby, and (ii) makes good faith efforts to cure the failure as soon as reasonably practicable thereafter.

(c) Any Indebtedness which would constitute Short Term Indebtedness by reason of its repayment terms may nevertheless be treated as if incurred as Demand Indebtedness at the election of the Member incurring the same; provided that the Indebtedness is secured by a Credit Facility issued by a Qualified Financial Institution under which funds are available to pay the principal thereof when due, and that the applicable provisions described under "THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness" are satisfied for the incurrence of the Indebtedness as if the same were incurred as Long Term Indebtedness in the form of Demand Indebtedness.

(d) Notwithstanding the foregoing provisions, the Members of the Obligated Group shall be permitted to incur Short Term Indebtedness without limit or restriction to fund operations (including the payment of Debt Service Requirements on any Indebtedness) in the event of any shortfall in revenues resulting from any temporary delay in payments for services from third-party payers.

Issuance as Obligations.

Any Indebtedness which is properly incurred pursuant to the provisions of the Master Indenture may, at the option of the Member thereof or the Obligated Group Agent, be evidenced by Obligations.

Redemption of Notes.

Obligations shall be subject to optional, extraordinary and/or mandatory prepayment or redemption in whole or in part and may be prepaid or redeemed prior to maturity as provided in the Supplemental Master Indenture or the Related Bond Indenture or Related Loan Document pertaining to the series of Obligations to be prepaid or redeemed, but not otherwise.

Security for Obligations; Pledge of Pledged Revenues; Granting of Mortgages.

(a) Security. All Obligations issued and outstanding under the Master Indenture are and shall be equally and ratably secured by the Master Indenture except to the extent specifically provided otherwise as permitted by the Master Indenture. All Obligations issued and outstanding under the Master Indenture are and shall be equally and ratably secured by the pledge of Pledged Revenues described below. All Obligations issued and outstanding under the Master Indenture are and shall be equally and ratably secured by the Mortgages described below, except as otherwise provided in a Supplemental Master Indenture. Any one or more series of Obligations issued under the Master Indenture may be secured by additional security, in addition to the pledge of Pledged Revenues (including without limitation letters or lines of credit, insurance or Liens on Property, including Facilities or Property of the Obligated Group, or security interests in a depreciation reserve, debt service reserve or interest reserve or debt service or similar funds), so long as any Liens created in connection therewith or securing such Obligations constitute Permitted Liens. Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master

Indenture pursuant to which any one or more series of Obligations are issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto. The Members of the Obligated Group further covenant and agree in the Master Indenture that, except for Permitted Liens, they will not pledge, suffer to exist, or grant a security interest in or allow any Lien on the Pledged Revenues or the real property subject to the Mortgages.

(b) Grant of Mortgages. In order to secure the prompt payment of all amounts due on all Obligations issued under the Master Indenture (except as otherwise provided in a Supplemental Master Indenture) and the performance by the Members of the Obligated Group of their obligations under the Master Indenture and the Obligations, each of Upper Moreland, Doylestown, Pennypack Park, Main Line and Stapeley, pursuant to their respective Mortgages, has granted to the Master Trustee, for the equal and ratable benefit of the holders from time to time of all of the Obligations (except as otherwise provided in a Supplemental Master Indenture), the Mortgages.

(c) Pledge of Pledged Revenues. In order to secure the prompt payment of all amounts due on all Obligations issued under the Master Indenture and the performance by the Members of the Obligated Group of their obligations under the Master Indenture and the Obligations, the Members of the Obligated Group pledge and assign to the Master Trustee, grant a security interest in, for the equal and ratable benefit of the holders from time to time of all of the Obligations, all of their Pledged Revenues, but the existence of such pledge, assignment and security interest shall not prevent the expenditure, deposit or commingling of Pledged Revenues by the Members of the Obligated Group for any purpose so long as no event of default under subparts (a)(i), (v) or (vi) described under “THE MASTER TRUST INDENTURE – Events of Default” herein has occurred and is continuing and all required payments with respect to the Obligations are made when due. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive Pledged Revenues whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Members of the Obligated Group. The Members of the Obligated Group represent in the Master Indenture that as of the date of the delivery of the Master Indenture they have granted no security interest in Pledged Revenues prior to the security interest granted by the Master Indenture in the Pledged Revenues. The Members of the Obligated Group further covenant in the Master Indenture and agree that, except for Permitted Liens, they will not pledge, suffer to exist, or grant a security interest in or Lien on the Pledged Revenues. The Master Indenture is intended to be a security agreement pursuant to the Uniform Commercial Code.

The Members of the Obligated Group agree to execute and file, if and to the extent required by law, such financing statements and continuation statements covering the Pledged Revenues from time to time and in such form as may be required to perfect and continue a security interest in the Pledged Revenues and deliver to the Master Trustee copies of any such filings. The Master Trustee shall file in a timely and appropriate manner all of such continuation statements provided to it by any Member of the Obligated Group or as may be required to perfect and continue such security interest in Pledged Revenues; provided unless the Master Trustee shall have been notified in writing by a Member of the Obligated Group that any such initial filing was or has become defective, the Master Trustee shall be fully protected in (a) relying on such initial filing and descriptions in filing any financing or continuation statements pursuant to this section and (b) filing any continuation statements in the same filing offices as the initial filings were made. The Members of the Obligated Group shall pay all costs of filing such financing statements and continuation statements and any renewals thereof and shall pay all reasonable costs and expenses of any record searches and preparation fees for financing statements and continuation statements that may be required.

Upon the breach of any covenant or agreement of the Members of the Obligated Group contained in the Master Indenture, the Master Trustee will have the remedies of a secured party under the Uniform Commercial Code and, at its option, may also pursue the remedies permitted in applicable law as to such Pledged Revenues. The Members of the Obligated Group further covenant in the Master Indenture that if an event of default of the type described in subpart (a) under “THE MASTER TRUST INDENTURE – Events of Default” herein shall occur and be continuing, and any grace period applicable thereto shall have expired, any Pledged Revenues then received and any Pledged Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Members of the Obligated Group on a daily basis to the Master Trustee and deposited into the Pledged Revenues Account as provided below. Such daily deposits shall continue until such event of default described in the preceding sentence shall have been cured. Any such proceeds on deposit with the Master Trustee shall be disbursed by the Master Trustee pursuant to the provisions described under “THE MASTER TRUST INDENTURE – Application of Moneys Collected” and as provided below.

The Master Trustee is authorized in the Master Indenture and directed to establish a Pledged Revenues Account, or Accounts, into which there shall be deposited upon the occurrence of any event of default described under “THE MASTER TRUST INDENTURE – Events of Default” herein, upon receipt by the Master Trustee, any and all Pledged Revenues of the Obligated Group. Upon the occurrence of an event of default described under “THE MASTER TRUST INDENTURE – Events of Default” of which the Master Trustee has received notice or is deemed to have received notice in accordance with the provisions of the Master Indenture, the Master Trustee covenants in the Master Indenture to take all reasonable action necessary to insure that all such Pledged Revenues received are deposited into the Pledged Revenues Account including, but not limited to, depositing directly all Pledged Revenues received and the Members of the Obligated Group covenant in the Master Indenture to direct all debtors and payors of the Obligated Group to make all payments due to the Obligated Group Members into the Pledged Revenues Account. The Pledged Revenues Account shall become subject to the lien of the Master Indenture in favor of the holders of all Obligations. Amounts on deposit in such Account shall at all times be available first for the payment of current operating expenses of the Members of the Obligated Group as may be directed by the Obligated Group Agent and second to the payment of debt service on all Obligations due and past due and thereafter shall otherwise be transferred as may be directed by the Obligated Group Agent to and applied by the Obligated Group for its corporate purposes. If the Master Trustee gives written notice to the Obligated Group of the exercise of remedies under the Master Indenture as a secured party and the Master Trustee enforces its rights and interests in and to the Pledged Revenues Account and the amounts on deposit therein, such amounts shall first be applied to the payment of current Operating Expenses of the Members of the Obligated Group as may be directed by the Obligated Group Agent, and second pursuant to the provisions described under “THE MASTER TRUST INDENTURE – Application of Moneys Collected” herein. The Master Trustee is authorized under the Master Indenture to take such self-help and other measures that a secured party is entitled to take under the Uniform Commercial Code. Upon a cure or waiver of the event of default that requires the funding of the Pledged Revenues Account and the payment of outstanding fees and expenses owed to the Master Trustee, the Master Trustee shall transfer the amounts on deposit in the Pledged Revenues Account to or at the written direction of the Obligated Group Agent.

Each Member of the Obligated Group represents, warrants and covenants in the Master Indenture for and on behalf of itself (except as specified below) that the following shall apply to the pledge of such Member’s Pledged Revenues created by the Master Indenture:

- (A) Creation: The Master Indenture creates a valid and binding pledge of, assignment of, lien on and security interest in its Pledged Revenues in favor of the Master Trustee, as security for payment of the Obligations, enforceable by the Master Trustee in accordance with the terms thereof.

(B) Perfection: The Obligated Group Agent represents, warrants and covenants in the Master Indenture that by the date of the effectiveness of the Master Indenture, the Obligated Group Agent will have filed or caused to be filed all financing statements describing, and transferred such possession or control over, such collateral (and for so long as any Obligation is outstanding under the Master Indenture the Obligated Group will file, continue, and amend or cause to be amended all such financing statements and transfer or cause to be transferred such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Obligated Group or any Member thereof is organized or such collateral may be located or that may otherwise be applicable pursuant to Uniform Commercial Code §§9.301--9.306 of such jurisdiction.

(C) Priority: Each Member of the Obligated Group represents, warrants and covenants in the Master Indenture that it has not before the effectiveness of the Master Indenture made a pledge of, granted a lien on or security interest in, or made an assignment or sale of its Pledged Revenues that ranks on a parity with or prior to the pledge, assignment, lien and security interest in its Pledged Revenues granted by the Master Indenture. Each Member of the Obligated Group represents, warrants and covenants in the Master Indenture that it has not described such collateral in a Uniform Commercial Code financing statement that will remain effective after the date of the effectiveness of the Master Indenture. Each Member of the Obligated Group represents, warrants and covenants in the Master Indenture that it shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge, assignment, lien and security interest in its Pledged Revenues granted by the Master Indenture, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under the Master Indenture.

Financing Statements.

(a) Each Member agrees in the Master Indenture to cause to be filed, upon the execution and delivery of the Master Indenture, such financing statements and other documents, and shall thereafter cause to be filed such continuation statements and other documents, under the Pennsylvania Uniform Commercial Code or such other applicable law as shall be required for the purpose of perfecting or continuing the perfection of the security interests granted under the Master Indenture (to the extent such security interests may be perfected by filing). Subject to subpart(c) under "THE MASTER TRUST INDENTURE - Security for Obligations; Pledge of Pledged Revenues; Granting of Mortgages" above, the Master Trustee agrees in the Master Indenture to file any and all such continuation statements necessary to maintain the status of such filings.

(b) In the Master Indenture, each Member authorizes the Master Trustee, and appoints the Master Trustee as its attorney-in-fact, to make any and all such filings described under (a) above as the Master Trustee, upon advice of counsel, shall reasonably determine necessary to protect and maintain the Liens created under the Master Indenture, whether or not directed or advised by any Member to do so.

Payment of Principal, Premium, Interest and Other Amounts.

Each Member will be jointly and severally liable for the payment of, and will duly and punctually pay, the principal of, redemption premium, if any, and interest on all Obligations issued under the Master Indenture, and any other payments required by the terms of such Obligations, on the dates, at the times and at the place and in the manner provided in such Obligations, the applicable Supplemental Master

Indenture and the Master Indenture when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, according to the true intent and meaning of the Master Indenture.

Due Authorization of Master Indenture and Obligations.

Each Member represents and warrants in the Master Indenture that: (a) it is duly authorized under the laws of the jurisdiction under which it is organized and under all other applicable provisions of law to execute and deliver the Master Indenture and to provide for the creation and issuance of Obligations under the Master Indenture as permitted by the Master Indenture; and (b) all corporate action on the part of each Member required by its articles of incorporation and by-laws and by the laws of the jurisdiction under which it is organized for the execution, delivery and performance of the Master Indenture has been taken and, prior to the creation and issuance of each Obligation under the Master Indenture, all similar corporate action required for the creation and issuance of each Obligation, if any, will have been duly and effectively taken by the Member thereof.

Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Member agrees in the Master Indenture that it shall:

(a) preserve its corporate existence (except as otherwise permitted under the Master Indenture) and all its rights and licenses to the extent necessary or desirable in the operation of its business affairs and be qualified to do business in each jurisdiction where its ownership of Facilities or the conduct of its business requires such qualification; provided, however, that nothing in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Board, useful in the conduct of its business;

(b) at all times cause its business to be carried on and conducted in an efficient manner and its Facilities to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing in the Master Indenture shall be construed (i) to prevent it from ceasing to operate any portion of its Facilities, if in the judgment of its Board it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same as permitted under the Master Indenture and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to preserve, repair, renew or replace any Facilities, leases, rights, privileges or licenses no longer used or, in the judgment of its Board, useful in the conduct of its business;

(c) conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its properties; provided, nevertheless, that nothing in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith;

(d) promptly pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or any of its properties; provided, however, that it shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof, provided that, if by non-payment of any such sums, the pledge and security interest of the Master Indenture will be impaired or any Facilities of the Member will be subject to imminent loss or forfeiture, then such sums shall be paid

immediately; provided, further, that the Member may make such payment under protest and pursue a refund;

(e) promptly pay or otherwise satisfy and discharge all of its Obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations issued and Outstanding under the Master Indenture) whose validity, amount or collectability is being contested in good faith by appropriate proceedings, provided that, if by non-payment of any such sums, the pledge and security interest of the Master Indenture will be impaired (except as otherwise permitted under the Master Indenture) or any Property of the Member will be subject to imminent loss or forfeiture, then such sums shall be paid immediately; provided, further, that the Member may make such payment under protest and pursue a refund;

(f) at all times comply with all terms, covenants and provisions contained in any instrument creating (or providing for the creation of) any Lien at such time existing upon its Facilities or any part thereof or securing any of its Indebtedness and pay or cause to be paid, or to be renewed, refunded or extended, or to be taken up, by it, all of its Indebtedness secured by a Permitted Lien, as and when the same shall become due and payable;

(g) procure and maintain all licenses, permits, approvals, certifications and accreditations issued by any Regulatory Bodies which are material to the maintenance of its properties, conduct of its operations and performance of its obligations under the Master Indenture;

(h) take no action or suffer any action to be taken by others which will adversely affect any applicable exemption from federal income taxation of the interest on any bonds issued pursuant to and secured by the Related Financing Documents for any Obligations or other Indebtedness incurred or permitted to be incurred under the Master Indenture;

(i) use its best efforts to maintain its qualification for payments from third-party payors which are a significant source of revenues to the Obligated Group; provided that if a Consultant determines in a report that qualification for a particular third-party payor is adverse to the Obligated Group, then the Obligated Group may terminate qualification for such third-party payor; and

(j) maintain its existence as a nonprofit organization as described in Section 501(c)(3) of the Code.

Rate Covenant.

(a) Each Member agrees in the Master Indenture to conduct and maintain its operations in such manner as is necessary in each to achieve an annual Historical Debt Service Coverage Ratio for the Obligated Group of not less than 1.20 as of the last day of each Measuring Period, on a rolling four quarters basis, beginning with the Measuring Period ending June 30, 2018.

(b) In the event that, as of the last day of any Measuring Period, the Obligated Group shall have failed to comply with the Rate Covenant, the Obligated Group Agent agrees to cause to be delivered to the Master Trustee, not later than 60 days following the delivery to the Master Trustee of the applicable financial statements of the Obligated Group identifying such failure in accordance with the provisions described under “THE MASTER TRUST INDENTURE – Filing of Financial Statements; Certificate of No Default; Other Information” herein, a report approved by the Board of the Obligated Group Agent and signed by an Authorized Officer of the Obligated Group Agent indicating the reasons for such failure and a plan of action for its correction.

(c) If there is a continued violation of the Rate Covenant as of the end of the next applicable Measuring Period, the Members of the Obligated Group agree to engage a Consultant to prepare a report addressing how the Members of the Obligated Group can correct the violation. The report must be delivered to the Master Trustee within 120 days of the delivery to the Master Trustee of the applicable financial statements of the Members of the Obligated Group identifying such continuing failure in accordance with the provisions described under “THE MASTER TRUST INDENTURE – Filing of Financial Statements; Certificate of No Default; Other Information” herein. Each report so prepared shall contain recommendations as to such actions as the Consultant deems to be reasonably necessary in order to achieve compliance with the Rate Covenant in the future, taking into account the extent to which any particular Member or Members may be prevented under any existing contracts or applicable laws or regulations. Notwithstanding any continued violations of the Rate Covenant in subsequent consecutive Measuring Periods, except as set forth in subpart (a)(vii) under “THE MASTER TRUST INDENTURE – Events of Default” herein, no Event of Default shall be deemed to have occurred under the Master Indenture as a result of a failure to achieve compliance with the Rate Covenant so long as the Consultant has been engaged and the report of such Consultant has been delivered to the Master Trustee if then due as required under this provision of the Master Indenture, and, once the Consultant’s report has been delivered, the Members of the Obligated Group make good faith efforts to implement such recommendations of the Consultant as are applicable to their operations and financial affairs, provided, however, that Members of the Obligated Group shall not be required to concur with a recommendation contained in any report of a Consultant that either (i) conflicts with law or existing contracts, or (ii) the Board of the Obligated Group Agent has determined by resolution to be unreasonable, impractical or unfeasible. Once the Obligated Group demonstrates compliance with the Rate Covenant in a subsequent Measuring Period, in the event of failure to comply with the Rate Covenant in a Measuring Period subsequent thereto, this provision of the Master Indenture shall apply as if such failure were the first instance of a failure to comply with the Rate Covenant under the Master Indenture. Notwithstanding anything in the Master Indenture to the contrary, the Obligated Group shall not be required to deliver a Consultant’s report if a Consultant’s report with respect to this provision of the Master Indenture has been delivered to the Master Trustee within the past twelve months and the Obligated Group is making good faith efforts to implement the recommendations of the Consultant contained in such report.

Liquidity Covenant.

(a) The Obligated Group agrees in the Master Indenture to maintain as of the last day of each Measuring Period, beginning with the Measuring Period ending June 30, 2018, not less than 120 Days Cash on Hand.

(b) In the event that, as of the last day of any Measuring Period, the Obligated Group shall have failed to comply with the Liquidity Covenant, the Obligated Group Agent shall cause to be delivered to the Master Trustee, not later than 60 days following the delivery to the Master Trustee of the applicable financial statements of the Obligated Group identifying such failure in accordance with the provisions described under “THE MASTER TRUST INDENTURE – Filing of Financial Statements; Certificate of No Default; Other Information” herein, a report approved by the Board of the Obligated Group Agent and signed by an Authorized Officer of the Obligated Group Agent indicating the reasons for such failure and a plan of action for its correction.

(c) If there is a continued violation of the Liquidity Covenant as of the end of the next applicable Measuring Period, the Members of the Obligated Group agree to engage a Consultant to prepare a report addressing how the Members of the Obligated Group can correct the violation. The report must be delivered to the Master Trustee within 120 days of the delivery to the Master Trustee of the applicable financial statements of the Members of the Obligated Group identifying such continuing failure in accordance with the provisions described under “THE MASTER TRUST INDENTURE –

Filing of Financial Statements; Certificate of No Default; Other Information” herein. Each report so prepared shall contain recommendations as to such actions as the Consultant deems to be reasonably necessary in order to achieve compliance with the Liquidity Covenant in the future, taking into account the extent to which any particular Member or Members may be prevented under any existing contracts or applicable laws or regulations. Notwithstanding any continued violations of the Liquidity Covenant in subsequent consecutive Measuring Periods, no Event of Default shall be deemed to have occurred under the Master Indenture as a result of a failure to achieve compliance with the Liquidity Covenant so long as the Consultant has been engaged and the report of such Consultant has been delivered to the Master Trustee if then due as required under this provision of the Master Indenture, and, once the Consultant’s report has been delivered, the Members of the Obligated Group make good faith efforts to implement such recommendations of the Consultant as are applicable to their operations and financial affairs, provided, however, that Members of the Obligated Group shall not be required to concur with a recommendation contained in any report of a Consultant that either (i) conflicts with law or existing contracts, or (ii) the Board of the Obligated Group Agent has determined by resolution to be unreasonable, impractical or unfeasible. Once the Obligated Group demonstrates compliance with the Liquidity Covenant in a subsequent Measuring Period, in the event of failure to comply with the Liquidity Covenant in a Measuring Period subsequent thereto, this provision of the Master Indenture shall apply as if such failure were the first instance of a failure to comply with the Liquidity Covenant under the Master Indenture. Notwithstanding anything in the Master Indenture to the contrary, the Obligated Group shall not be required to deliver a Consultant’s report if a Consultant’s report has been delivered with respect to this provision of the Master Indenture to the Master Trustee within the past twelve months and the Obligated Group is making good faith efforts to implement the recommendations of the Consultant contained in such report.

Insurance.

(a) Each Member will (a) maintain, or cause to be maintained, general and professional liability insurance and casualty insurance covering such risks and in such amounts as, in its judgment, is adequate to insure it and its Facilities and operations and such as is customary for the industry, which customs include business interruption insurance, (b) cause such coverages to be reviewed and reported on as to adequacy and acceptability of the insurance carrier by an Insurance Consultant, such reports to be issued within 90 days after the end of every second Fiscal Year which commences after the execution of the Master Indenture, and (c) upon receipt of each report of the Insurance Consultant, deliver the same to the Master Trustee and the Bond Trustee and obtain or cause to be obtained such additional, alternative or increased coverages as may be recommended therein by the Insurance Consultant. Such coverages shall be obtained and maintained through commercial insurance carriers or captive insurance companies acceptable to the Insurance Consultant or through self-insurance plans approved as to adequacy by the Insurance Consultant at the time of their implementation and thereafter reviewed as to adequacy and reported on by the Insurance Consultant within 90 days after the end of each Fiscal Year.

(b) Notwithstanding the foregoing, no Member shall adopt any plan of self-insurance (other than with respect to reasonable deductibles and exclusions from commercially available coverage) with respect to property and casualty insurance applicable to its PP&E.

Application of Insurance Proceeds and Condemnation Awards.

Each Member shall notify the Master Trustee of any damage to or any destruction or condemnation (or other similar taking or conveyance in lieu thereof) of any of its material Facilities. Except as otherwise required in the Related Financing Documents for any particular Long Term Indebtedness secured by the affected Facilities or as otherwise permitted or required by the Related Financing Documents for any Non-Recourse Indebtedness secured by the affected Facilities, any

insurance proceeds, condemnation awards (or other similar amounts) received in respect of the occurrence shall be deposited with the Master Trustee and applied, at the election of the Member whose Facilities were affected (delivered in writing to the Master Trustee), to reconstruct, replace or repair the affected Facilities or to redeem Obligations; provided that the amount so received in respect of any particular occurrence may be used for other lawful purposes deemed appropriate by the Member, or as otherwise required by applicable laws, if such amount does not exceed the greater of 3% of the aggregate net book value of all PP&E of the Obligated Group shown in the most recent audited financial statements of the Obligated Group or \$500,000. The Master Trustee may conclusively rely upon the written direction of the Member in disbursing any insurance proceeds or condemnation awards delivered to it in accordance with this provision of the Master Indenture and shall have no obligation to determine the application of such insurance proceeds or condemnation awards.

Liens and Encumbrances.

No Member will create or suffer to be created or exist upon any Property now owned or hereafter acquired by it any Liens other than Permitted Liens.

Sale, Lease or Other Disposition of Assets.

Each Member shall be permitted to transfer Property to other Members of the Obligated Group without limitation under the Master Indenture, but shall not otherwise sell, lease or otherwise dispose of or transfer (hereinafter “transfer”) Property, including cash, to any other Person, unless:

(a) the transfer is made pursuant to the provisions described under “THE MASTER TRUST INDENTURE – Consolidation, Merger, Sale or Conveyance” herein; or

(b) the transfer is in the ordinary course of business; or

(c) the transfer involves only Property which secures Non-Recourse Indebtedness; or

(d) the transfer involves only Property which is retired, replaced or otherwise disposed of in the ordinary course of business; or

(e) the transfer is made in exchange for other Property having a fair market value equal to or in excess of the property being transferred; or

(f) the transfer involves Property received as restricted gifts, grants, bequests or other similar sums or the income thereon to the extent such Property may not be used for the payment of any Debt Service Requirements or operating expenses generally as a result of restrictions imposed by the donor or maker of the gift, grant, bequest or other sums in question; or

(g) no Event of Default has occurred and is continuing and the Value of cash and investments or the PP&E subject to such transfer does not exceed one percent (1%) of the Value of cash and investments and PP&E as shown on the most recent audited financial statements of the Obligated Group. If the Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available is not less than 1.30, the foregoing percentage of cash and investments and PP&E that may be subject to transfer may be increased as follows under the following conditions: (i) to 3% of the Value of cash and investments and PP&E for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available if the Days Cash on Hand would not be less than 200 after giving effect to such transfer; or (ii) to 5% of the Value of cash and investments and PP&E for the most recent Fiscal Year for which audited financial statements of the

Obligated Group are available if the Days Cash on Hand would not be less than 300 after giving effect to such transfer, or (iii) to 7.5% of the Value of cash and investments and PP&E for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available if the Days Cash on Hand would not be less than 400 after giving effect to such transfer; for the purpose of determining compliance with this provision of the Master Indenture, the number of Days Cash on Hand shall be calculated on a *pro forma* basis reflecting the then current Unrestricted Cash and Investments and the Total Expenses of the Obligated Group for the most recently completed Measuring Period under the Master Indenture and taking into account the transfer.

Except for any transfer referred to in subpart (a) above, any transfer of Property pursuant to the foregoing provisions may be made free and clear of any Liens previously placed on and security interests previously granted in such Property to secure Obligations issued under the Master Indenture. Upon request of the Member making any such transfer, the Master Trustee shall execute and deliver such instruments as may be appropriate to effectuate such release.

Consolidation, Merger, Sale or Conveyance.

(a) No Member will merge or consolidate with or sell or convey all or substantially all of its assets to any Person not a Member of the Obligated Group unless:

(i) The successor corporation (if other than the Member) shall be a corporation organized and existing under the laws of the United States of America or a state thereof and shall expressly assume the due and punctual payment of the principal of, premium, if any, interest on and all other amounts payable in respect of all Outstanding Obligations and other indebtedness incurred or permitted to be incurred under the Master Indenture, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed or observed by the Member;

(ii) The Master Trustee shall have received an opinion of Counsel stating whether the merger, consolidation, sale or conveyance will adversely affect the tax-exempt status, if any, of the Member or successor corporation or of any other member of the Obligated Group under the income tax laws of the United States of America or any jurisdiction or jurisdictions within which it is organized or conducts business;

(iii) The Member or such successor corporation, as the case may be, immediately after such merger or consolidation, or such sale or conveyance, would not be in default in the performance or observance of any covenant or condition under the Master Indenture or the Related Financing Documents;

(iv) There shall have been delivered to the Master Trustee (A) any of the items which would be required for the incurrence of One Dollar (\$1.00) of Long Term Indebtedness under subpart (a) under the caption "THE MASTER TRUST INDENTURE – Additional Long Term Indebtedness" herein, taking into account the effect of the proposed merger, consolidation, sale or conveyance upon the projected or forecasted Net Revenues Available for Debt Service and Maximum Annual Debt Service Requirements for the Obligated Group, and (B) written confirmation from each Rating Agency then rating the most recent issuance of Related Bonds that, upon consummation of the proposed transaction, the ratings on such Related Bonds (without regard to any credit enhancement of such Related Bonds) will not be decreased or withdrawn as a result of such proposed merger, consolidation, sale or conveyance (for purposes of this provision, the phrase "decreased or withdrawn" shall be construed to include instances in which the rating category level remains unchanged but the rating modifier (such as "+" or "-") is decreased as a

result of the proposed merger, consolidation, sale or conveyance, but shall not be construed to include instances in which the outlook alone is decreased);

(v) There shall have been delivered to the Master Trustee an opinion of nationally recognized bond counsel to the effect that the consummation of such merger, consolidation, sale or conveyance will not adversely affect any applicable exemption from federal income taxation of the interest payable on any outstanding bonds which were previously issued pursuant to and are secured by the Related Financing Documents for any Obligations or other indebtedness incurred or permitted to be incurred under the Master Indenture or any similar indebtedness of any successor corporation; and

(vi) Each member of the surviving Obligated Group is an organization described in Section 501(c)(3) of the Code.

(b) Any corporation which succeeds to and assumes any or all of the obligations of a Member of the Obligated Group pursuant to subsection (a) above shall be required to execute and deliver to the Master Trustee such documents and instruments as are, in the opinion of Counsel, necessary or appropriate for the purpose of effectuating such succession and assumption. Thereafter, the successor corporation shall be deemed a Member of the Obligated Group for all purposes under the Master Indenture.

Filing of Financial Statements; Certificate of No Default, Other Information.

(a) As soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Obligated Group agrees in the Master Indenture to file with the Master Trustee (i) combined or consolidated financial statements of the Obligated Group for such Fiscal Year, prepared in accordance with generally accepted accounting principles and examined and reported on by an Accountant, and (ii) beginning with the Fiscal Year ending December 31, 2018, an Obligated Group Agent's Certificate setting forth the calculation of the Rate Covenant and Liquidity Covenant and stating whether or not, to the best knowledge of such officer, the Obligated Group is in default (or, with the giving of notice or the passage of time or both, would be in default) in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(b) The Obligated Group shall file with the Master Trustee, as soon as practicable after each fiscal quarter (but in no event later than 45 days following each such quarter), beginning with the fiscal quarter ending September 30, 2017 (i) unaudited quarterly balance sheets, statements of revenues and expenses, cash flow and changes in net assets for the Obligated Group; and (ii) for informational purposes only, calculation of the Rate Covenant and the Liquidity Covenant, notwithstanding the fact that compliance testing for each such covenant occurs not more frequently than as of the last day of each Measuring Period; and

(c) The Obligated Group shall file with the Master Trustee, as soon as practicable after the end of the 2nd fiscal quarter in each Fiscal Year (but in no event later than 45 days following each such 2nd fiscal quarter), beginning with the fiscal quarter ending June 30, 2018, an Obligated Group Agent's Certificate setting forth the calculation of the Rate Covenant and Liquidity Covenant and, stating whether or not, to the best knowledge of such officer, the Obligated Group is in default (or, with the giving of notice or the passage of time or both, would be in default) in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(d) Each Member shall (i) file with the Master Trustee such other financial statements and information concerning the operations and financial affairs of such Member (or of any consolidated group

of companies of which such Member is a member) as the Master Trustee may from time to time reasonably request, and (ii) provide access to the facilities of such Member for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(e) The Members of the Obligated Group authorize the Master Trustee to furnish information received pursuant to the foregoing to Holders of Obligations requesting the same in writing.

(f) Notwithstanding anything in this provision of the Master Indenture to the contrary, the combined or consolidated financial statements prepared and delivered in accordance with this Section may include financial information of any affiliates of the Members of the Obligated Group which are not Members of the Obligated Group, or may be comprised of separate financial statements of the Members of the Obligated Group (which may include financial information of any affiliates of such Members of the Obligated Group which are not Members of the Obligated Group), provided that in each case, there shall be included with such financial statements, as additional or supplemental information, unaudited combining or consolidating financial statements for the period in question for the Members of the Obligated Group from which the financial information for all affiliates of any Member which are not Members of the Obligated Group has been eliminated.

(g) The Master Trustee shall act solely as a repository for the benefit of the Owners of the Obligations, and the Master Trustee shall not be deemed to have notice of any information therein or Event of Default that may be disclosed to it in any manner in accordance with this provision of the Master Indenture other than a certificate of the Obligated Group Agent that indicates an Event of Default has occurred.

Compliance with Related Financing Documents.

Nothing in the Master Indenture contained shall be construed as relieving any Member of any of its obligations under the terms of any Related Financing Documents. Without limiting the generality of the foregoing, the Members of the Obligated Group shall not take or cause or permit to be taken any action permitted pursuant to the terms of the Master Indenture except upon compliance with such additional requirements as may be applicable thereto under the terms of such Related Financing Documents.

Rating Solicitation.

The Obligated Group Agent agrees that it will, not later than sixty (60) days after receipt of its audited financial statements, retain a Financial Advisor to assess the likelihood of whether the Obligated Group could obtain from one of the Rating Agencies a rating not less than the lowest “investment grade” rating of one of the Rating Agencies. The Obligated Group Agent agrees to provide the Financial Advisor such information as it may reasonably request in order to assist it in making such assessment. If the Financial Advisor determines that such rating is obtainable, the Obligated Group Agent agrees that it will, at its sole expense, solicit and make a good faith effort to obtain such rating. If the Obligated Group shall receive such rating, this provision of the Master Indenture shall be of no further force and effect so long as such rating is neither reduced below “investment grade” nor withdrawn. The Obligated Group Agent shall have no obligation to solicit any such rating in any year immediately following a year in which it solicited such rating from a Rating Agency and was unable to obtain an “investment grade” rating after a good faith effort on the part of the Obligated Group, unless there is a material positive change in the financial performance of the Obligated Group, as reasonably determined by the Financial Advisor.

Events of Default.

(a) “Event of Default”, as used in the Master Indenture, shall mean any of the following events, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(i) if any Member shall fail to make any payment of principal, redemption price or interest when due under the terms of any Obligation and such failure continues to exist upon the expiration of any applicable period of grace or notice; or

(ii) if any Member shall fail to observe or perform any covenant or agreement contained in the Master Indenture for a period of 30 days after written notice of such failure, requiring the same to be remedied, shall have been given by the Master Trustee to the Obligated Group Agent, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the Holders of at least 25% in aggregate principal amount of all Outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Member shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion; or

(iii) if any Event of Default shall occur and be continuing under any Related Financing Document secured by one or more Obligations (subject to applicable periods of grace and notice);

(iv) if any Member shall default in the payment of any Indebtedness (other than Notes or Master Indenture Guaranties issued and Outstanding under the Master Indenture) in a principal amount which exceeds 10% of the Value of all Property of the Obligated Group (“Material Indebtedness”) (subject to applicable periods of grace and notice), whether such Material Indebtedness now exists or shall hereafter be created, or an event of default as defined in any Related Financing Documents under which any such Material Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default shall result in such Material Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided, however, that such default shall not constitute an Event of Default if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the indebtedness under the laws governing such proceeding (A) the applicable Member in good faith commences proceedings to contest the existence or payment of such Material Indebtedness, and sufficient moneys are escrowed with a bank or trust company for the payment of such Material Indebtedness, or (B) in the absence of such contest, the Obligated Group Agent certifies to the Master Trustee that neither the pledge and Lien of the Master Indenture nor any Property of any Member will be materially impaired or subject to material loss or forfeiture; or

(v) if a decree or order by a court having jurisdiction shall have been entered adjudging any Member as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Member under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy

or insolvency of any Member or of its property, or for the winding-up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(vi) if any Member shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by any Member in furtherance of any of the aforesaid purposes; or

(vii) if the Rate Covenant is less than 1.00 for two consecutive Measuring Periods.

(b) Upon the occurrence of an Event of Default, then and in each and every such case, the Master Trustee may, but shall not be required, by notice in writing to the Obligated Group Agent, declare the principal of all (but not less than all) Outstanding Obligations to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Master Indenture or in such Outstanding Obligations contained to the contrary notwithstanding; provided that the Master Trustee shall be required to make such a declaration (i) if an Event of Default has occurred under subpart (a)(i) above, or (ii) if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of all Outstanding Obligations. In addition, such declaration shall be made with respect to any particular Obligation or series of Obligations (but not all Obligations) if an Event of Default has occurred and is continuing and if the Master Trustee is requested to do so by the Holder of such Obligation or series of Obligations (or by the requisite percentage of such Holders specified in the Related Financing Documents); provided that the Master Trustee shall give 30 days' notice of such declaration to the Holders of all other Obligations and that such declaration shall also apply to any other Obligations as to which a similar request is received within such 30-day period.

(c) Any declaration pursuant to subpart (b) above shall be subject to the condition that if, at any time after the principal of any Outstanding Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as in the Master Indenture after provided: (i) the Members of the Obligated Group shall deposit with the Master Trustee a sum sufficient to pay (A) all matured installments of interest upon all Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Obligations to the date of such deposit) and any other amounts required to be paid pursuant to such Obligations, and (B) the reasonable expenses and fees of the Master Trustee; and (ii) any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on Outstanding Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee may and, if requested by the Holders of a majority in aggregate principal amount of all Obligations then Outstanding, shall waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default.

Payment of Obligations on Default.

Upon the occurrence of an Event of Default as described under “THE MASTER TRUST INDENTURE – Events of Default” herein and upon demand of the Master Trustee, each Member will pay to the Master Trustee, for the benefit of the Holders of all Obligations then Outstanding, (a) the whole amount that then shall have become due and payable on all such Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as provided in the applicable Supplemental Master Indenture, and (b) such further amount as shall be sufficient to cover the reasonable costs and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any reasonable expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

Suit for Moneys Due.

In case any Member shall fail forthwith to pay the amounts due described under “THE MASTER TRUST INDENTURE – Payment of Obligations on Default” herein upon such demand, the Master Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against each Member, and collect in the manner provided by law out of the property of the Obligated Group wherever situated the moneys adjudged or decreed to be payable. The Master Trustee, upon the bringing of any action or proceeding at law or in equity under this provision of the Master Indenture, as a matter of right, without notice and without giving bond to any Member, may, to the extent permitted by law, have a receiver appointed of all of the Property of the Obligated Group pending such action or proceeding, with such powers as the court making such appointment shall confer.

Proceedings in Bankruptcy.

In case there shall be pending proceedings for the bankruptcy or for the reorganization or arrangement of any Member under the United States Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for its property, the Master Trustee, irrespective of whether the principal of Obligations of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Master Trustee shall have made any demand pursuant to the provisions described under “THE MASTER TRUST INDENTURE – Payment of Obligations on Default” herein, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Obligations of all series and amounts owing, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such Member of the Obligated Group, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is authorized by each of such Holders to make such payments to the Master Trustee, and, in the event that the Master Trustee shall consent to the making of such payments directly to such Holders, to pay to the Master Trustee any amount due it for reasonable compensation and expenses, including reasonable counsel fees incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and

other property which the Holders of the Obligations may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Suit by Master Trustee.

All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation on any trial or other proceedings instituted by the Master Trustee. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of the Master Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Application of Moneys Collected.

Any amounts collected by the Master Trustee pursuant to the exercise of remedies under the Master Indenture and under the Mortgages and all moneys on deposit in the Pledged Revenue Fund shall be applied, for the equal and ratable benefit of the Holders of Obligations in the order following, at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of reasonable costs and expenses of collection and the payment of outstanding amounts owed to or incurred by the Master Trustee, including, but not limited to, the reasonable fees of Counsel and reasonable compensation to the Master Trustee; and

(b) whether or not the principal of all Outstanding Obligations shall have become or have been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on any Obligations in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due on such date, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal installments which shall have become due, whether at maturity or upon acceleration or call for redemption, and on any Obligations in order of their due dates and, if the amounts available shall not be sufficient to pay in full all principal installments due on the same date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, without any discrimination or preference; and

THIRD: To the payment to the Persons entitled thereto of any additional amounts due and unpaid in respect of Obligations, in the order of the due dates of such amounts, and if the moneys available therefor shall not be sufficient to pay in full any such additional amounts due on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference;

provided that for the purpose of determining the amount of unpaid principal in respect of any such Obligation, there shall be deducted (i) the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any Liens granted in favor of such Holder in respect of such Obligations or deposits in any fund established pursuant to any Related Financing Documents for such Obligation (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligation) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified to the Master Trustee by the Holder,

and (ii) the amount paid to any Holder from a Debt Service Reserve Fund established for the benefit and security of such Holder in accordance with the provisions of a Supplemental Master Indenture; and

(c) to the payment of the remainder, if any, to the Members of the Obligated Group, their successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Actions by Holders.

(a) No Holder of an Obligation shall have any right by virtue of or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Indenture, unless the Holders of not less than 25% in aggregate principal amount of Obligations then Outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee under the Master Indenture and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to the provision described under “THE MASTER TRUST INDENTURE – Direction of Proceedings by Holders” below ; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner in the Master Indenture provided and for the equal, ratable and common benefit of all Holders of Obligations.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with this provision of the Master Indenture shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the reasonable costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its attorneys.

(c) Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on Obligation and any other amounts payable under the Master Indenture, on or after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Direction of Proceedings by Holders.

The Holders of a majority in aggregate principal amount of Obligations then Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, subject to the provisions described under “THE MASTER TRUST INDENTURE – Reliance on Documents, Indemnification, Etc.” herein, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall

impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Delay or Omission of Master Trustee.

No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default, occurring and continuing as aforesaid, shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, nor shall the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or impair any right resulting therefrom; and every power and remedy given by the Master Indenture to the Master Trustee or to such Holders may be exercised from time to time and as often as may be deemed expedient by it or by them.

Remedies Cumulative.

Upon the occurrence of any Event of Default under the Master Indenture and while any Event of Default shall be continuing, the Master Trustee shall be entitled to exercise any or all remedies available at law or in equity to collect amounts then due or to become due under the Master Indenture, including (1) taking any and all action to collect and apply to amounts due under the Master Indenture the Pledged Revenues, (2) taking any and all action as a secured creditor under the Pennsylvania Uniform Commercial Code (or similar laws of other jurisdictions as applicable) or other applicable law with respect to the Pledged Revenue Fund and the Pledged Revenues and all other funds collected or held by the Master Trustee in accordance with the Master Indenture, and (3) taking any action to foreclose any Lien (including any Lien granted pursuant to the Mortgages) which may be granted to it as Master Trustee pursuant all to the extent permitted by law. No remedy in the Master Indenture conferred upon or reserved to the Master Trustee or the Holders of Obligations entitled to the benefits of the Master Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute; and the employment of any remedy under the Master Indenture, or otherwise, shall not prevent the concurrent employment of any other appropriate remedy or remedies.

Notice of Default.

If a default occurs of which the Master Trustee is by subpart (d) under “THE MASTER TRUST INDENTURE – Duties and Liabilities of Master Trustee” herein required to take notice or if notice of default be given as in said subsection, then the Master Trustee shall give written notice thereof by mail to the last known owners of all Obligations then outstanding shown by the list of Obligation holders required by the terms of the Master Indenture to be kept at the designated office of the Master Trustee or its agent.

Duties and Liabilities of Master Trustee.

(a) The Master Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture. In case such an Event of Default has occurred (which has not been cured or waived) the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of the Master Indenture shall be construed to relieve the Master Trustee from liability for its own gross negligence or willful misconduct; provided, however, that:

(i) the Master Trustee shall not be liable for any error of judgment made in good faith by a responsible agent or employee of the Master Trustee, unless it shall be proved that the Master Trustee was grossly negligent in ascertaining the pertinent facts (other than facts which the Master Trustee is not required to investigate pursuant to the provisions described under “THE MASTER TRUST INDENTURE – Reliance on Documents, Indemnification, Etc.” and “– Reliance on Documents, Indemnification, Etc.” herein); and

(ii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture.

(c) None of the provisions contained in the Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties under the Master Indenture or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. In such regard, it is expressly agreed and acknowledged that after an Event of Default under the Master Indenture, the Master Trustee shall not be required or under any legal obligation to exercise or pursue any of the remedies provided for in the Master Indenture or in any Mortgage, if, in the reasonable opinion of the Master Trustee, such action would result in a risk of financial liability to the Master Trustee, unless the Master Trustee shall have received indemnity satisfactory to it against such liability. The Master Trustee shall promptly notify the Holders of all Obligations Outstanding under the Master Indenture of its determination not to proceed to exercise or pursue any remedy, and the Holders of 25% or more in principal amount of such Obligations may either (i) provide indemnity satisfactory to the Master Trustee, in which case the Master Trustee shall proceed to exercise or pursue such remedies, or (ii) notify the Master Trustee that the Holders will exercise or pursue such remedies themselves, in which case the Master Trustee will promptly assign to the Holders, at their request any and all of its interest in the Mortgages or other security provided under the Master Indenture.

(d) The Master Trustee shall not be deemed to have knowledge of the occurrence of any default or Event of Default under the Master Indenture or any default under any other document or agreement (including any Related Financing Document) unless the Master Trustee shall be specifically notified of such Event of Default or other default by the Obligated Group Agent or by the Holder of any Obligations or shall otherwise have actual knowledge thereof and, in the absence of such notice or actual knowledge, the Master Trustee may conclusively presume the absence of any Event of Default or other default; provided, however, that the Master Trustee shall be deemed to have notice of its failure to receive any amounts required to be paid to the Master Trustee in respect of the principal of and interest on any Obligations.

Reliance on Documents, Indemnification, Etc.

Except as otherwise provided in subpart (a) under “THE MASTER TRUST INDENTURE – Duties and Liabilities of Master Trustee” herein:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture or other paper or document (including any statement by or on behalf of

any Holder relating to the amount of principal outstanding or interest due on any Obligation) believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction, order or demand of any Member mentioned in the Master Indenture shall be sufficiently evidenced by a Member of the Obligated Group's Certificate (unless other evidence in respect thereof be in the Master Indenture specifically prescribed); and any resolution of the Board of any Member may be evidenced to the Master Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of such Member.

(c) The Master Trustee may consult with Counsel and the advice of such Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in accordance with such advice. Whenever required to take action or refrain from taking any action under the Master Indenture (including, without limitations, the execution of any Supplemental Master Indenture in accordance with the Master Indenture) the Master Trustee shall be entitled to request, and may conclusively rely upon, an Opinion of Counsel to the effect that such action (or inaction) complies with, or is permitted by, the terms of the Master Indenture and applicable law, which the Opinion may be given in reliance upon the facts and circumstances set forth in any Certificate described in subpart (d) below.

(d) As to the existence of any facts or circumstances relevant under the Master Indenture, the Master Trustee may, in the absence of bad faith on its part, conclusively rely upon an Obligated Group Agent's Certificate (or other relevant Person) as to such facts or circumstances.

(e) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture, or other paper or document, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of Obligations then Outstanding; provided, however, that if the payment within a reasonable time to the Master Trustee of the reasonable costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Master Trustee, not reasonably assured to the Master Trustee by the security afforded to it by the terms of the Master Indenture, the Master Trustee may require indemnity, reasonably satisfactory to the Master Trustee, with respect to such additional compensation as the Master Trustee may require for complying with such request and against such costs, expenses (including, without limitation, reasonable fees of Counsel) or liabilities as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the members of the Obligated Group or, if paid by the Master Trustee, shall be repaid by the members of the Obligated Group upon demand.

(f) The Master Trustee may execute any of the trusts or powers under the Master Indenture or perform any duties under the Master Indenture either directly or by or through agents or attorneys.

(g) The Master Trustee shall be under no responsibility for the approval by it in good faith of any expert or other skilled person for any of the purposes expressed in the Master Indenture.

Resignation, Removal and Succession of Master Trustee.

The Master Trustee may resign at any time without cause by giving at least 30 days' prior written notice to the Obligated Group Agent and by publishing notice of such resignation in such newspapers as may be specified in any Supplemental Master Indentures and by mailing notice of such resignation to each Holder of an Obligation then Outstanding, as the names and addresses of such Holders appear on the registers maintained pursuant to the Master Indenture, such resignation to be effective only upon the acceptance of such Master Trusteeship by a successor, regardless of and notwithstanding that such

acceptance does not occur within such 30-day period. In addition, the Master Trustee may be removed (a) at the direction of the Holders of not less than 50% in aggregate principal amount of Obligations then Outstanding, delivered to the Obligated Group Agent and the Master Trustee, or (b) at the direction of the Obligated Group, but only if no Event of Default has occurred and is then continuing, such direction to be evidenced by an Obligated Group Agent's Certificate delivered to the Master Trustee, any such removal to be effective upon the acceptance of the duties of the Master Trustee under the Master Indenture by a successor Master Trustee. The Master Trustee shall promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then Outstanding as provided above. In the case of the resignation or removal in accordance with clause (b) above of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group, as evidenced by an Obligated Group Agent's Certificate designating the successor. In the case of the removal of the Master Trustee if any Event of Default shall have occurred and then be continuing, such successor may be appointed at the direction of the Holders of not less than 50% in aggregate principal amount of Obligations then Outstanding. If a successor Master Trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Master Trustee, any Member or any Holder of an Obligation then Outstanding may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided.

Acceptance by Successor Master Trustee.

Any successor Master Trustee, however appointed, shall execute and deliver to its predecessor and to the members of the Obligated Group an instrument accepting such appointment, and thereupon such successor, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor under the Master Indenture in the trusts under the Master Indenture applicable to it with like effect as if originally named the Master Trustee; but, nevertheless, upon the written request of such successor Master Trustee and the receipt of the predecessor's outstanding fees and charges, its predecessor shall execute and deliver an instrument transferring to such successor Master Trustee, upon the trusts in the Master Indenture expressed applicable to it, all the estates, properties, rights and powers of such predecessor under the Master Indenture, and such predecessor shall duly assign, transfer, deliver and pay over to such successor Master Trustee all moneys or other property then held by such predecessor under the Master Indenture.

Qualifications of Successor Master Trustee.

Any successor Master Trustee, however appointed, shall be a bank or trust company having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Master Trustee under the Master Indenture upon reasonable or customary terms.

Successor by Merger.

Any corporation into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation to which substantially all the business of the Master Trustee may be transferred, shall, subject to the terms of "THE MASTER TRUST INDENTURE – Qualifications of Successor Master Trustee" herein, be the Master Trustee under the Master Indenture without further act.

Supplemental Master Indentures without Consent of Holders.

(a) The Obligated Group Agent, when authorized by a resolution of its Board, and the Master Trustee may from time to time and at any time enter into a Master Indenture or Master Indentures supplemental or amendatory hereto for one or more of the following purposes:

- (i) to provide for the issuance of any Obligations under the Master Indenture;
- (ii) to evidence the addition of a Member of the Obligated Group or the succession of another corporation to any Member, or successive successions, and the assumption by the new Member or successor corporation of the covenants, agreements and obligations of a Member of the Obligated Group pursuant to the Master Indenture;
- (iii) to add to the covenants of any Member such further covenants, restrictions or conditions as it shall consider to be for the protection of the Holders of Obligations issued under the Master Indenture, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Indenture as in the Master Indenture set forth; provided, however, that in respect of any such additional covenant, restriction or condition such Supplemental Master Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;
- (iv) to cure any ambiguity or to correct or supplement any provision contained in the Master Indenture or in any Supplemental Master Indenture which may be defective or inconsistent with any other provision contained in the Master Indenture or in any Supplemental Master Indenture, or to make such other amendments to the Master Indenture or any Supplemental Master Indenture as shall not materially impair the security of the Master Indenture or materially adversely affect the interests of the Holders of any particular Notes or series of Notes or of any Master Indenture Guaranty issued under the Master Indenture;
- (v) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Master Indenture Act of 1939 as then amended, or under any similar federal statute hereafter enacted, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions under the Master Indenture and each Member undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture;
- (vi) to provide for the establishment of additional funds and accounts under the Master Indenture and for the proper administration of and transfers of moneys between any such funds and accounts, provided that, except as otherwise provided under “THE MASTER TRUST INDENTURE – Security for Obligations; Pledge of Pledged Revenues; Granting of Mortgages” herein and “THE MASTER TRUST INDENTURE –Application of Funds Deposited for Payment of Obligations” herein all such funds and accounts shall be established for the equal and ratable benefit of the Holders of all Outstanding Obligations; and
- (vii) to permit the issuance of Obligations in a form other than described in the Master Indenture, if appropriate, to evidence or secure a Member of the Obligated Group’s payment obligations in respect of any indebtedness, provided that such obligations are equally and ratably

secured with all other Obligations issued under the Master Indenture (except as otherwise provided in the Master Indenture).

(b) The Master Trustee is authorized in the Master Indenture to join with each Member in the execution of any such Supplemental Master Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, mortgage, pledge or assignment of any property under the Master Indenture, but the Master Trustee shall not be obligated to enter into any such Supplemental Master Indenture that affects the Master Trustee's rights, duties or immunities under the Master Indenture or otherwise.

(c) Any Supplemental Master Indenture authorized by the provisions described under this heading "THE MASTER TRUST INDENTURE – Supplemental Master Indentures without Consent of Holders" may, without the consent of the Holders of then Outstanding Obligations issued under the Master Indenture, be executed by each Member or the Obligated Group Agent on their behalf and the Master Trustee.

Modification of Master Indenture with Consent of Holders.

(a) With the written consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, the Obligated Group Agent, when authorized by resolution of its Board, and the Master Trustee may from time to time and at any time enter into a Master Indenture or Master Indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Master Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that (A) without the consent of the Holders of all Obligations then Outstanding, no such Supplemental Master Indenture shall (i) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, (ii) reduce the aforesaid percentage of Obligations, the Holders of which are required to consent to any such Supplemental Master Indenture, or (iii) permit the preference or priority of any Obligations or Obligations over any other Obligation or Obligations.

(b) Upon the written request of the Obligated Group Agent, accompanied by a copy of a resolution of its Board certified by the Secretary or an Assistant Secretary of such Member authorizing the execution of any such Supplemental Master Indenture, and upon the filing with the Master Trustee of evidence of the consent of Holders as aforesaid, the Master Trustee shall join with the Obligated Group Agent in the execution of such Supplemental Master Indenture unless such Supplemental Master Indenture affects the Master Trustee's own rights, duties or immunities under the Master Indenture or otherwise, in which case the Master Trustee may in its discretion, but shall not be obligated, to enter into such Supplemental Master Indenture.

(c) It shall not be necessary for the consent of the Holders under this provision of the Master Indenture to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient if such consent shall approve, in writing, the substance thereof.

Effect of Supplemental Master Indenture.

(a) Upon the execution of any Supplemental Master Indenture pursuant to the provisions of the Master Indenture, the Master Indenture shall, with respect to each series Obligations issued under the Master Indenture, be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under the Master Indenture of the Master Trustee, each Member and the Holders of Obligations issued under the Master Indenture shall

thereafter be determined, exercised and enforced under the Master Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Master Indenture shall be and be deemed to be part of the terms and conditions of the Master Indenture.

(b) The Master Trustee, subject to the provisions described under “THE MASTER TRUST INDENTURE – Supplemental Master Indentures without Consent of Holders” and “-Modification of Master Indenture with Consent of Holders” herein, may receive and rely on an opinion of Counsel as conclusive evidence that any such Supplemental Master Indenture complies with the provisions of the Master Indenture.

Obligations May Bear Notation of Changes.

Obligations authenticated and delivered after the execution of any Supplemental Master Indenture pursuant to the provisions of the Master Indenture may bear a notation in form not unacceptable to the Master Trustee as to any matter provided for in such Supplemental Master Indenture. If the Member of any Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform, in the opinion of the Board of such Member, to any modification of the Master Indenture contained in any such Supplemental Master Indenture may be executed by such Member, authenticated by the Master Trustee and delivered in exchange for Obligations of the same series then Outstanding.

Persons Becoming Members of the Obligated Group.

(a) If at any time the then existing Members of the Obligated Group and any other Person shall determine that such Person should become a Member of the Obligated Group under the Master Indenture, the Obligated Group Agent and such new Member may execute and deliver to the Master Trustee an appropriate instrument, containing the agreement of such new Member (i) to become a Member of the Obligated Group under the Master Indenture and thereby be subject to compliance with all provisions of the Master Indenture pertaining to a Member of the Obligated Group, including the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, and (ii) to be jointly and severally liable for the payment of all Obligations in accordance with the terms thereof and of the Master Indenture, when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subpart (a) above shall be accompanied by an opinion of Counsel to the effect that (i) each such instrument has been duly authorized, executed and delivered by the Obligated Group Agent and such new Member and constitutes a valid and binding obligation of the Obligated Group Agent and each new Member enforceable in accordance with its terms, except as limited by applicable fraudulent conveyance statutes, bankruptcy laws, insolvency laws and other similar laws and equitable principles affecting creditors' rights generally, and (ii) such authorization, execution and delivery of instruments by the new Member will not adversely affect the tax exempt status, if any, of any Member (including the new Member) under the income tax laws of the United States of America or the jurisdiction or jurisdictions within which it is organized or conducts business.

(c) It shall be a condition precedent to the consummation of any transaction involving an instrument to be executed and delivered to the Master Trustee in accordance with subpart (a) above that:

(i) the Master Trustee receives a certificate confirming from the Person seeking to become a Member that immediately upon becoming a Member of the Obligated Group, the new Member would not be in default in the performance or observance of a covenant or condition under the Master Indenture;

(ii) the Master Trustee receives such Certificate or Certificates as would be required for a merger, consolidation, sale or conveyance under subpart (iv) under “THE MASTER TRUST INDENTURE – Consolidation, Merger, Sale or Conveyance” herein, adjusted as appropriate to reflect the addition of the new Member; and

(iii) the Master Trustee receives an opinion of nationally recognized bond counsel to the effect that the consummation of such transaction would not adversely affect any applicable exemption from federal income taxation of the interest payable on any bonds which were previously issued pursuant to and are secured by the Related Financing Documents for any Obligations or other indebtedness incurred or permitted to be incurred under the Master Indenture or any similar indebtedness of the new Member.

Effects of Becoming a Member of the Obligated Group.

Upon any Person becoming a Member of the Obligated Group pursuant to the provisions described under “THE MASTER TRUST INDENTURE – Persons Becoming Members of the Obligated Group” herein:

(a) such Member may execute and deliver Obligations thereafter issued and any Supplemental Master Indenture thereafter entered into, subject to the terms of the Master Indenture;

(b) the computations required by any provision of the Master Indenture to be made on a consolidated or combined basis shall include the new Member in accordance with generally accepted accounting principles consistently applied, with the elimination of material intercompany balances and transactions; and

(c) any covenant contained in the Master Indenture obligating any Member to perform any matter with respect to its property or its operations shall be deemed to obligate such Member to perform such matter with respect to property owned by it or its operations.

Satisfaction and Discharge of Master Indenture.

If the Master Trustee receives: (a) an amount which is (i) in the form of (A) cash or (B) Government Obligations, and (ii) in a principal amount sufficient, together with the interest thereon and any funds on deposit under the Master Indenture and available for such purpose, to provide for the payment of the principal of and premium, if any, and interest on all Outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; (b) irrevocable instructions to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and (c) an amount sufficient to pay or provide for the payment of all other sums payable under the Master Indenture by the Members of the Obligated Group or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on written demand of the Obligated Group Agent or any Member, and at the cost and expense of the Obligated Group or any Member thereof, shall execute all such instruments acknowledging satisfaction of and discharging the Master Indenture as may be requested by the Obligated Group Agent. Each Member agrees in the Master Indenture to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture.

In like manner, the Member who issued any particular Obligation may provide for the payment thereof (or of a portion thereof) at or prior to maturity and the Obligation (or portion thereof) so provided for shall thereupon cease to be Outstanding under the Master Indenture.

In determining whether amounts received under the Master Indenture are sufficient to provide for the payment of the principal of and premium, if any, and interest on any Obligations as provided above, the Master Trustee shall be entitled to request (at the expense of the Member), and to rely upon, a verification thereof prepared or reviewed and reported on by an Accountant.

In lieu of the foregoing, the Member who issued any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, redemption premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed Outstanding under the Master Indenture.

Release of Members of the Obligated Group.

(a) Any Member may withdraw from the Obligated Group and be released from its obligations under the Master Indenture, provided that (a) if the Member proposing to withdraw from the Obligated Group is a party to any Related Loan Documents with respect to Related Bonds which remain outstanding, another Member of the Obligated Group has issued an Obligation under the Master Indenture evidencing or assuming the obligation of the Obligated Group in respect of such Related Bonds; (b) the Master Trustee receives such Certificate or Certificates as would be required for a merger, consolidation, sale or conveyance under subpart (iv) under “THE MASTER TRUST INDENTURE – Consolidation, Merger, Sale or Conveyance” herein, adjusted as appropriate to reflect the withdrawal of the Member; and (c) immediately upon such withdrawal, as reflected in an Obligated Group Agent’s Certificate delivered to the Master Trustee in connection therewith, no Event of Default (or event which, with the passage of time or the giving of notice or both, would be an Event of Default under the Master Indenture) shall be continuing under the Master Indenture. Upon compliance with the foregoing, the Master Trustee shall execute and deliver such instruments as may be necessary or appropriate to effectuate or evidence the release of the Member from its Obligations under the Master Indenture. Thereafter, such Member shall not be bound by or entitled to any benefits under the Master Indenture, and all Facilities, Pledged Revenues and other Property of the Member shall be released from any and all Liens previously granted under the Master Indenture.

Application of Funds Deposited for Payment of Obligations.

All moneys deposited with the Master Trustee pursuant to provisions described under “THE MASTER TRUST INDENTURE – Satisfaction and Discharge of Master Indenture” and “- Release of Members of the Obligated Group” herein shall be held in trust and applied by it to the payment to the Holders of the Obligations for the payment or redemption of which such moneys have been deposited with the Master Trustee, of all sums due and to become due thereon for principal and interest and any other amounts.

Repayment of Moneys Held by Master Trustee.

Any moneys deposited with the Master Trustee for the payment of the principal of or interest on Obligations and not applied but remaining unclaimed by the Holders of such Obligations for four (4) years after the date upon which such payment shall have become due, shall, to the extent permitted by applicable law, be repaid to the appropriate Members of the Obligated Group or any thereof by the Master Trustee on demand; and, upon such repayment, the Holder of any of such Obligations entitled to receive such payment shall look only to the Members of the Obligated Group for the payment thereof; provided that, before being required to make any such repayment, the Master Trustee shall notify the Holders of such unpaid Obligations that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Members of the Obligated

Group or any thereof. Any such notice shall be given in such manner as may be specified in the applicable Supplemental Master Indenture and the cost thereof shall be paid by the Obligated Group.

Incorporators, Members, Officers and Members of the Board Exempt from Individual Liability.

No recourse under or upon any obligation, covenant or agreement of the Master Indenture, or of any Obligations issued under the Master Indenture, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, member, officer or member of the Board, as such, past, present or future, of any Member or of any successor corporation, either directly or through such Member, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Master Indenture and the Obligations issued under the Master Indenture are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, officers or members of the Board, as such, of any Member or any successor corporation, or any of them, because of the creation of the Indebtedness authorized by the Master Indenture, or under or by reason of the obligations, covenants or agreements contained in the Master Indenture or in any Obligations issued under the Master Indenture or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, member, officer or trustee, as such, because of the creation of the indebtedness authorized by the Master Indenture, or under or by reason of the obligations, covenants or agreements contained in the Master Indenture or in any Obligations issued under the Master Indenture or implied therefrom are expressly waived and released as a condition of, and as consideration for, the execution of the Master Indenture and the issuance of such Obligations.

Legal Holidays.

Except to the extent a Supplemental Master Indenture or Obligation provides otherwise, in any case where the date on which any principal, premium, interest or other payment is required to be paid shall be on a day on which banking institutions at the place of payment are authorized by law to remain closed, then payment of such amounts need not be made on such date but may be made on the next succeeding day which is not a day on which banking institutions at such place of payment are authorized by law to remain closed, with the same force and effect as if made on the date otherwise due and, in the case of such payment, no interest shall accrue for the period from and after such date.

Benefits of Provisions of Master Indenture and Obligations.

Nothing in the Master Indenture or in the Obligations issued under the Master Indenture, expressed or implied, shall give or be construed to give any person, firm or corporation, other than each Member, the Master Trustee and the Holders of Obligations, any legal or equitable right, remedy or claim under or in respect of the Master Indenture, or under any covenant, condition and provision in the Master Indenture contained; all its covenants, conditions and provisions being for the sole benefit of each Member, the Master Trustee and of the Holders of such Obligations.

Selection of Consultant

Supplemental Master Trust Indenture No. 1 provides that, so long as either of the Series 2017 Master Notes remains Outstanding, in connection with any appointment of a Consultant by the Obligated Group in accordance with the requirements of the Master Indenture, the Master Trustee is required to, as soon as practicable but in no case later than 3 Business Days after receipt of written notice of the appointment of a Consultant from the Obligated Group Agent, provide notice to the holders of all Obligations issued under the Master Indenture and direct all Related Bond Trustees, within 3 Business

Days, to provide a notice (through the MSRB's EMMA System) to the beneficial owners of all Related Bonds secured by Obligations containing the following information (which information shall be provided by the Obligated Group Agent in an Obligated Group Agent's Certificate): (i) the name of the Consultant and a brief description of the Consultant demonstrating that the firm is qualified to serve as Consultant under the Master Indenture, (ii) the reason that the Consultant is being engaged including a description of the provision(s) of the Master Indenture that require the Consultant to be engaged, and (iii) a statement that any Holder of an Obligation (other than an Obligation that secures Related Bonds) and any beneficial owner of a Related Bond will be deemed to have consented to the selection of the Consultant named in such notice unless such Holder or beneficial owner submits to the Master Trustee an objection to the selected Consultant in writing together with proof of its beneficial ownership of Related Bonds and the amount of Related Bonds owned by such Beneficial Owner (in a manner acceptable to the Master Trustee) within 14 days of the date that the notice is made available on the MSRB's EMMA System. No later than two Business Days after the end of the 14-day objection period, the Master Trustee is required to notify the Obligated Group Agent of any objections received. If 66.6% or more in aggregate principal amount of the Holders of Obligations have consented to the selection of the Consultant or have not responded to the request for consent, the Holders of the Obligations and the beneficial owners of the Related Bonds shall be deemed to have waived their right to object to the Consultant. If more than 33.4% in aggregate principal amount of the Holders of Obligations have objected to the Consultant selected, the Obligated Group Agent shall select another Consultant which may be engaged upon compliance with the procedures described in this section. In the event the Consultant is objected to pursuant to this provision, the 120 day period set forth in subpart (c) under "THE MASTER TRUST INDENTURE – Rate Covenant" and subpart (c) under "THE MASTER TRUST INDENTURE – Liquidity Covenant" herein, as applicable, shall not begin until a Consultant is engaged and not objected to by the Holders of the Obligations.

For purposes of this section, the objection of the Holders of Obligations issued with respect to Related Bonds shall be evidenced by, and shall correspond to the percentage of, the objection of underlying beneficial owners of the Related Bonds in the percentage such Related Bonds represent of all Related Bonds secured by such Obligation. Notwithstanding anything in the Master Indenture or elsewhere to the contrary, the objection of a majority of beneficial owners of Related Bonds secured by any Obligation shall not be deemed to be an objection of all beneficial owners of Related Bonds secured by such Obligation.

THE MORTGAGES

The following summarizes certain provisions of each of the Mortgages (referred to herein as the "Security Instrument") but is not to be regarded as a full statement thereof. The Mortgages are being granted to the Master Trustee by each of Pennypack Park, Upper Moreland, Main Line, Doylestown and Stapeley, each of which is referred to in the summary below as "Mortgagor," with the Master Trustee being referred to as "Mortgagee."

Property Mortgaged

In the Mortgage, the Mortgagor does irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to Mortgagee, and grant a security interest to Mortgagee in, Mortgagor's rights, title and interest, as applicable, in the following property and estates at the time owned or later acquired by such Mortgagor (collectively, the "Mortgaged Property"):

(a) Land. The real property described in Exhibit A attached to and made a part of the Security Instrument (all parcels listed on Exhibit A are collectively referred to as the "Land");

(b) Additional Land. All additional lands, estates and development rights hereafter acquired by Mortgagor for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from the to time, by supplemental mortgage or otherwise be expressly made subject to the lien of the Security Instrument;

(c) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (the “Improvements”);

(d) Easements. All easements, rights-of-way or use, rights, strips, and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever; both at law and in equity, of Mortgagor, of, in and to the Land and the Improvements and every part and parcel thereof; with the appurtenance thereto;

(e) Fixtures and Personal Property. All machinery, equipment, fixtures (including, but not limited to all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and used in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or used in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the “Personal Property”), and the right, title and interest of Mortgagor, in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Mortgaged Property is located (the “Uniform Commercial Code”), superior in lien to the lien of the Security Instrument and all proceeds and products of the above;

(f) Leases and Rents. All leases, subleases and other agreements affecting the use, enjoyment or occupancy of the Land and/or the Improvements heretofore or hereafter entered into and all extensions, amendments and modifications thereto (collectively, the “Leases”), whether before or after the filing by or against Mortgagor, of any petition for relief under 11 U. S. C. § 101 et seq., as the same may be amended from time to time (the “Bankruptcy Code”) and all right, title and interest of Mortgagor, and its successors and assigns, therein and thereunder, including, without limitation, any guaranties of the lessees’ obligations thereunder, cash or securities deposited thereunder to secure the performance by the lessees of their obligation thereunder and all rents, additional rents, revenues, issues and profits (including oil and gas or other mineral royalties and bonuses) from the Land and the Improvements whether paid or accruing before or after the filing by or against Mortgagor of any petition for relief under the Bankruptcy Code (the “Rents”) and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt (as hereinafter defined) in accordance with the Master Indenture;

(g) Insurance Proceeds. All proceeds of and any unearned premiums on any insurance policies covering the Mortgaged Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the

Mortgaged Property, subject, however, to the provisions of the Master Indenture regarding collection and application of insurance proceeds;

(h) Condemnation Awards. All awards or payments, including interest thereon, which arose heretofore and arise hereafter which may be made with respect to the Mortgaged Property, whether from the exercise of the right of eminent domain (including, but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Mortgaged Property, subject, however, to the provisions of the Master Indenture regarding collection and application of condemnation awards;

(i) Tax Certiorari. All refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Mortgaged Property as a result of tax certiorari or any applications or proceedings for reduction;

(j) Conversion. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims;

(k) Rights. The right, in the name and on behalf of Mortgagor to commence any action or proceeding to protect the interest of Mortgagee in the Mortgaged Property and while an Event of Default (described below) remains uncured, to appear in and defend any action or proceeding brought with respect to the Mortgaged Property;

(l) Agreements. All agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Mortgagor therein and thereunder, including, without limitation, the right, while an Event of Default remains uncured, to receive and collect any sums payable to Mortgagor thereunder;

(m) Intangibles. All trade names, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles specific to or used in connection with the operation of the Mortgaged Property; and

(n) Other Rights. Any and all other rights of Mortgagor in and to the items set forth in Subsections (g) through (m) above.

Assignment of Leases and Rents.

In the Mortgage, Mortgagor absolutely and unconditionally assigns to Mortgagee, Mortgagor's right, title and interest in and to all current and future Leases and Rents; it being intended by Mortgagor that this assignment constitute a present, absolute assignment and not as assignment for additional security only. Nevertheless, subject to the terms of the Mortgage, Mortgagee grants to Mortgagor in the Mortgage a revocable license to collect and receive the Rents. Upon the occurrence of an Event of Default, the Mortgage provides that such license shall be automatically revoked as provided.

Security Agreement

The Security Instrument is both a real property mortgage and a “security agreement” within the meaning of the Uniform Commercial Code. The Mortgaged Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Mortgagor in the Mortgaged Property. By executing and delivering the Security Instrument, Mortgagor grants to Mortgagee, as security for the Secured Obligations (defined below), a security interest in the Personal Property to the full extent that the Personal Property may be subject to the Uniform Commercial Code.

Pledge of Monies Held

In the Mortgage, Mortgagor pledges to Mortgagee any and all monies now or hereafter held by Mortgagee, but solely in Mortgagee’s capacity as Master Trustee, pursuant to the Master Indenture as additional security for the Obligations until such monies are expended or applied as provided in the Master Indenture.

Debt

The Security Instrument and the grants, assignments and transfers made in the Mortgage are given for the purpose of securing the payment of the following, in such order of priority as is set forth in the provisions of the Master Indenture described under “THE MASTER TRUST INDENTURE – Application of Moneys Collected” herein (the “Debt”):

- (a) all present and future Obligations issued and outstanding under the Master Indenture, including, without limitation, all principal, interest, default interest, reimbursement obligations, fees and other sums payable under or evidenced, secured or supported by such Obligations or under the Master Indenture;
- (b) interest, default interest, late charges and other sums, as provided in the Security Instrument or under the Master Indenture;
- (c) all other monies agreed or provided to be paid by Mortgagor and the other members of the Obligated Group in the Security Instrument or under the Master Indenture;
- (d) all sums advanced pursuant to the Security Instrument to protect and preserve the Mortgaged Property and the lien and the security interest created by the Mortgage; and
- (e) all sums advanced and costs and expenses incurred by Mortgagee in connection with the Debt or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Mortgagor or Mortgagee.

Other Obligations

The Security Instrument and the grants, assignments and transfers made in the Mortgage are also given for the purpose of securing the performance of the following (the “Other Obligations”):

- (a) all other obligations of Mortgagor contained in the Security Instrument;
- (b) each obligation of Mortgagor and the other members of the Obligated Group contained in the Obligations and in the Master Indenture; and

(c) each obligation of Mortgagor and the other members of the Obligated Group contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, restatement or increase of all or any part of the Obligations, the Security Instrument or the Master Indenture.

Debt and Other Obligations

Mortgagor's obligations for the payment of the Debt and the performance or the Other Obligations are referred to as the "Secured Obligations."

Sales and Encumbrances

In the Mortgage, Mortgagor agrees that Mortgagor shall not sell, convey, mortgage, grant, bargain, encumber (other than Permitted Liens as defined in the Master Indenture and Permitted Exceptions), pledge, assign, or otherwise transfer the Mortgaged Property or any part thereof or permit the Mortgaged Property or any part thereof to be sold, conveyed, mortgaged, granted, bargained, encumbered, pledged, assigned, or otherwise transferred, other than as permitted by the Master Indenture, including, but not limited to, the provisions of the Master Indenture described under "THE MASTER TRUST INDENTURE - Application of Insurance Proceeds and Condemnation Awards," "- Liens and Encumbrances," "Sale, Lease or Other Disposition of Assets" and "Consolidation, Merger, Sale or Conveyance" herein. Upon demonstration of the satisfaction of the requirements of the Master Indenture, together with an opinion of counsel addressed to the Mortgagee to the effect that the Mortgagor's request is in compliance with the requirements of the applicable Section of the Master Indenture, upon the request of Mortgagor, the Mortgagee agrees in the Mortgage to deliver such releases, subordinations, consents and other documents necessary to effect any sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment or transfer.

Events of Default

The occurrence of any one or more of the following events shall constitute an "Event of Default" under the Mortgage:

(a) the occurrence of any Event of Default as set forth in the Master Indenture as summarized under "THE MASTER TRUST INDENTURE – Events of Default" and the expiration of any notice and cure periods applicable thereto;

(b) If for more than twenty (20) days after notice from Mortgagee, Mortgagor shall continue to be in default under any term, covenant or condition of the Security Instrument, in the case of any default which can be cured by the payment of a sum of money, or for thirty (30) days after notice from Mortgagee in the case of any other default, provided that if such default cannot reasonably be cured within such thirty (30) day period and Mortgagor shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Mortgagor in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period of excess of ninety (90) days.

Remedies

Upon the occurrence of any Event of Default. Mortgagor agrees in the Mortgage that Mortgagee shall have, and may exercise any of all of its rights and remedies as Master Trustee under the Master Indenture. The remedies set forth in the Master Indenture shall be construed to include, without

limitation, the right to take the following actions, any of which may be pursued concurrently or otherwise, at such time and in such order as Mortgagee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Mortgagee under the Master Indenture:

(a) institute proceedings, judicial or otherwise, for the complete foreclosure of the Security Instrument under any applicable provision of law in which case the Mortgaged Property, or any portion thereof, or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(b) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of the Security Instrument for the portion of the Debt then due and payable, subject to the continuing lien and security interest of the Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority;

(c) sell for cash or upon credit the Mortgaged Property or any part thereof and all estate, claim, demand, right, title and interest of Mortgagor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, in one or more parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;

(d) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained in the Security Instrument or in the Obligations;

(e) recover judgment on the Obligations either before, during or after any proceedings for the enforcement of the Security Instrument;

(f) apply for the appointment of a receiver, trustee, liquidator or conservator of the Mortgaged Property pursuant to the Master Indenture;

(g) subject to any applicable law, the license granted to Mortgagor under the Security Instrument shall automatically be revoked and Mortgagee may enter into or upon the Mortgaged Property or any portion thereof, either personally or by its agents, nominees or attorneys and dispossess Mortgagor and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Mortgagor and its agents or servants wholly therefrom and take possession of all books, records and accounts relating thereto and Mortgagor agrees to surrender possession of the Mortgaged Property and of such books, records and accounts to Mortgagee upon demand, and thereupon Mortgagee may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Mortgaged Property and conduct the business thereat; (ii) complete any construction on the Mortgaged Property in such manner and form as Mortgagee deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Mortgaged Property; (iv) exercise all rights and powers of Mortgagor with respect to the Mortgaged Property, whether in the name of Mortgagor or otherwise, including without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Mortgaged Property and every part thereof; (v) require Mortgagor to pay monthly in advance to Mortgagee, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Mortgaged Property as may be occupied by Mortgagor; (vi) require Mortgagor to vacate and surrender possession of the Mortgaged Property to Mortgagee or to such receiver and, in default thereof Mortgagor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Mortgaged Property to the payment of the Debt, in such order, priority and proportions as is set forth in Section 7.6 of the Master Indenture;

(h) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality or the foregoing: (i) the right to take possession of the Personal Property or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Personal Property, and (ii) request Mortgagor at its expense to assemble the Personal Property and make it available to Mortgagee at a convenient place acceptable to Mortgagee. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Personal Property, sent to Mortgagor in accordance with the provisions of the Security Instrument at least ten (10) days prior to such action, shall constitute commercially reasonable notice to Mortgagor;

(i) apply any sums held in escrow or otherwise by Mortgagee in accordance with the Master Indenture; or

(j) pursue such other remedies as Mortgagee may have under the Master Indenture or applicable law.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Mortgaged Property, the Security Instrument shall continue as lien and security interest on the remaining portion of the Mortgaged Property unimpaired and without loss of priority.

Application of Proceeds

The purchase money, proceeds and avails of any disposition of the Mortgaged Property, or any part thereof, or any other sums collected by Mortgagee pursuant to the Obligations or the Security Instrument, may be applied by Mortgagee to the payment of the Debt in such priority and proportions as is described under “THE MASTER TRUST INDENTURE – Application of Moneys Collected” herein.

Right to Release any Portion of the Property

The Mortgage provides that Mortgagee may release any portion of the Mortgaged Property as permitted by the Master Indenture, including, but not limited to, the provisions of the Master Indenture described under “THE MASTER TRUST INDENTURE - Application of Insurance Proceeds and Condemnation Awards,” “- Liens and Encumbrances,” “- Sale, Lease or Other Disposition of Assets” and “- Consolidation, Merger, Sale or Conveyance” herein, without, as to the remainder of the Mortgaged Property, in any way impairing or affecting the lien or priority of the Security Instrument, or improving the position of any subordinate lienholder with respect to the Security Instrument. In any such case, the Security Instrument shall continue as a lien on and security interest in the remaining portion of the Mortgaged Property.

Future Advances; Revolving Credit

The Security Instrument provides that it shall secure not only existing outstanding principal and advances evidenced by the Obligations, but also all future advances made pursuant to, as provided in or evidenced, secured or supported by Obligations issued under the Master Indenture or any present or future Obligations, whether such advances are obligatory or to be made at the option of the Holders of the Obligations, or otherwise, to the same extent as if such future advances were made on the date of original execution and delivery of the Security Instrument, although there may have been no advance made at the time of such execution and delivery, and although there may be no principal outstanding at the time any advance is made. To the fullest extent permitted by law, the lien of the Security Instrument shall be a valid lien against the Mortgaged Property securing all such amounts, including all future advances. Notwithstanding anything in the Security Instrument to the contrary, although the amount of principal

secured by the Security Instrument may increase or decrease from time to time, the maximum aggregate net outstanding principal amount of the Obligations secured by the Security Instrument, including present outstanding principal and future advances, at any time shall not exceed Two Hundred Fifty Million Dollars (\$250,000,000) plus all costs of enforcement and collection of the Security Instrument, the Master Indenture and the Obligations, plus the total amount of any advances made pursuant to the Security Instrument to protect the Mortgaged Property and the security interest and lien created by the Mortgage, together with interest on all of the foregoing as provided in the Security Instrument, the Master Indenture, the Obligations and any instruments or agreements secured or supported by the Obligations.

Amendments

The Security Instrument may be amended without the consent of the Holders of then Outstanding Obligations (as defined in the Master Indenture) (a) to set forth such other matters which as set forth in an opinion of counsel addressed to the Mortgagor and Mortgagee will not materially or adversely affect the Holders of then Outstanding Obligations, (b) to add additional covenants of the Mortgagor or to surrender any right of power conferred upon the Mortgagor, (c) to make conforming changes in connection with any amendment of the Master Indenture otherwise permitted under the Master Indenture, (d) to increase the maximum aggregate net outstanding principal amount of the Obligations secured by the Security Instrument in connection with the issuance of Obligations in accordance with the terms of the Master Indenture; or (e) to cure any ambiguity, inconsistency or formal defect or omission herein or to make any other change which, as set forth in an opinion of counsel addressed to the Mortgagor and Mortgagee, does not materially adversely affect the rights of the Holders of then Outstanding Obligations. No prior notice to the Holders of then Outstanding Obligations of any proposed amendments pursuant to this paragraph of the Mortgage shall be required.

The Security Instrument may be amended for a purpose other than those set forth in the paragraph directly above hereof with the written consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

PROPOSED FORM OF OPINION OF DRINKER BIDDLE & REATH LLP

<Closing Date>

Philadelphia Authority for Industrial Development
2600 Centre Square West
1500 Market Street
Philadelphia, Pennsylvania 19102

UMB Bank N.A., as trustee
120 Sixth Street South
Suite 1400
Minneapolis, Minnesota 55402

Philadelphia Authority for Industrial Development	
\$95,185,000	\$29,560,000
Senior Living Facilities Revenue Bonds (Wesley Enhanced Living Obligated Group) Series 2017A (Tax-Exempt)	Senior Living Facilities Revenue Bonds (Wesley Enhanced Living Obligated Group) Series 2017B (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Philadelphia Authority for Industrial Development (the “Authority”) of the revenue bonds described in the caption above (the “Series A Bonds” and the “Series B Bonds,” respectively, and, collectively, the “Bonds”). The Bonds are issued pursuant to the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, 73 P.S. §§ 371-386, as amended (the “Act”), a resolution of the Authority adopted on June 20, 2017 (the “Bond Resolution”), and a Trust Indenture dated as of August 1, 2017 (the “Bond Indenture”), between the Authority and UMB Bank N.A., as bond trustee (the “Bond Trustee”).

Capitalized terms used but not otherwise defined herein have the meanings set forth in the Bond Indenture.

The Bonds are being issued for the purpose of paying the costs of a project on behalf of Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley) and Martins Run (d/b/a Wesley Enhanced Living Main Line), each a Pennsylvania nonprofit corporation (collectively, the “Borrowers”), and each a controlled affiliate of Evangelical Services for the Aging (d/b/a Wesley Enhanced Living), a Pennsylvania nonprofit corporation (“Wesley” or the “Obligated Group Agent”), each of which owns and operates an integrated continuing care retirement community in the City of Philadelphia, Montgomery County, Bucks County, or Delaware County, Pennsylvania (as applicable) (collectively, the “Communities”). The project financed with the proceeds of the Bonds (the “Project”) consists generally of: (a) the refunding of the following series of outstanding revenue bonds: (i) the Revenue Refunding Bonds (Stapeley in Germantown Project), Series 2005A, B, and C, issued by the Authority in the original aggregate principal amount of \$13,640,000; (ii) the Variable Rate Demand Revenue

Bonds (Evangelical Manor Project), Series 2008, issued by the Authority in the original aggregate principal amount of \$20,000,000; (iii) the Revenue Bonds (Stapeley Hall -- Wesley Enhanced Living Obligated Group), Series 2011, issued by the Authority in the original aggregate principal amount of \$9,815,000; (iv) the Retirement Communities Variable Rate Demand Revenue Bonds (Wesley Enhanced Living Obligated Group), Series 2005A and Series 2005B, issued by The Borough of Langhorne Manor Higher Education and Health Authority in the original aggregate principal amount of \$36,420,000; and (v) the Economic Development Revenue Note (Martins Run Project, Series of 2009), issued by the Delaware County Industrial Development Authority in the original aggregate principal amount of \$7,000,000; (b) the refinancing of a term loan issued by a commercial bank for the benefit of Stapeley Hall in 2011 in the original principal amount of \$8,710,000 (the "2011 Stapeley Term Loan"); (c) the financing of capital projects of the Borrowers consisting of capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to existing independent living and personal care units, existing health care facilities and common areas, the acquisition of new plant equipment and furnishings, and other facility enhancements at any or all of the Communities; (d) the funding of certain resident refunds, accounts payable, interest rate swap termination payments and other working capital obligations of the Borrowers; (e) the funding of a Debt Service Reserve Fund for the Bonds of each series; and (f) the payment of the costs of issuance of the Bonds.

In connection with the issuance of the Bonds, the Authority and the Borrowers have entered into a Loan Agreement dated as of August 1, 2017 (the "Loan Agreement"), pursuant to which the Authority has lent to the Borrowers the proceeds of the Bonds, and the Borrowers have agreed to make loan payments to the Authority in amounts and at times sufficient, among other things, to pay the principal of and interest on the Bonds when due. To evidence and secure its payment obligations under the Loan Agreement with respect to the payment of the principal and redemption price of, and interest on, the Bonds, the Borrowers have delivered or caused to be delivered to the Authority (i) the Master Note, Series 2017A (Philadelphia Authority for Industrial Development) (the "Series 2017A Master Note"), in an aggregate principal amount equal to the initial aggregate principal amount of the Series A Bonds, evidencing their payment obligations with respect to the Series A Bonds, and (ii) the Master Note, Series 2017B (Philadelphia Authority for Industrial Development) (the "Series 2017B Master Note" and, together with the Series 2017A Master Note, the "Series 2017 Master Notes"), in an aggregate principal amount equal to the initial aggregate principal amount of the Series B Bonds, evidencing their payment obligations with respect to the Series B Bonds. The Series 2017 Master Notes are issued under and pursuant to a Master Trust Indenture dated August 1, 2017, as supplemented by the First Supplemental Master Trust Indenture dated August 1, 2017 (collectively, the "Master Indenture"), by and among the Borrowers, Wesley, Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) and Martins Run Home Partners, as the members of the Obligated Group described therein (each a "Member of the Obligated Group" and, collectively, the "Obligated Group"), and UMB Bank N.A., as master trustee (the "Master Trustee"). Under the Bond Indenture, the Authority has assigned to the Bond Trustee, among other things, all of its right, title and interest in and to the Loan Agreement and the Series 2017 Master Notes and all payments from the Borrowers or Members of the Obligated Group (as applicable) thereunder for the equal and ratable benefit and security of the Bonds, subject, however, to certain Reserved Rights of the Authority described therein, which include the right of the Authority to receive payment of its administrative fees and expenses and indemnification.

The Authority and the Borrowers have made certain factual representations in the Bond Indenture and Loan Agreement and in a Tax Compliance Agreement delivered on the date hereof (the “Tax Agreement”) that are material to the opinions expressed herein, including representations as to their reasonable expectations on the date hereof regarding the uses of the proceeds of the Bonds. We have relied upon these representations of the Borrowers and the Authority without undertaking to verify the same by independent investigation. We have also relied, without independent investigation, upon the opinion of Saul Ewing LLP, counsel for the Borrowers, with respect to the status of the Borrowers as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and other matters described therein. We note that such opinion is subject to certain qualifications and limitations.

In our capacity as Bond Counsel, we have examined such documents, records, proceedings, statutes (including the Act) and decisions as we have deemed necessary to enable us to express our opinion set forth below, including original counterparts or certified copies of the Bond Resolution, the Bond Indenture, the Loan Agreement, the Master Indenture, and the Series 2017 Master Notes. In rendering our opinion, we have assumed the genuineness, authenticity, truthfulness and completeness of all documents, records, and other instruments examined (whether as originals or as copies). We have further assumed the genuineness of the signatures of all persons executing any of the agreements and other instruments examined by us and the due authorization, execution and delivery by, and enforceability against, each other party thereto other than the Authority. We have not undertaken to verify the factual matters set forth therein by independent investigation.

Except as set forth in paragraph 5 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) as enacted and construed on the date hereof.

Based on the foregoing, and subject to the assumptions and qualifications stated herein, it is our opinion that:

1. The Authority is body corporate and politic constituting a public corporation and public instrumentality organized and validly existing under the laws of the Commonwealth, with all requisite power and authority to enter into the Bond Indenture and the Loan Agreement, to perform its obligations thereunder, and to issue the Bonds.
2. Each of the Bond Indenture and the Loan Agreement has been duly authorized, executed, and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.
3. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, subject to the Reserved Rights of the Authority described therein, all of its rights and interests in the Loan Agreement and the Series 2017 Master Notes, as security for the payment of the Bonds.

4. The Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding limited obligations of the Authority, enforceable in accordance with their terms and entitled to the benefit and security of the Bond Indenture, as applicable, except as enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

5. Under existing law as enacted and construed on the date hereof, interest on the Series A Bonds is excluded from gross income for Federal income tax purposes and will not be a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Series A Bonds will be included in the “adjusted current earnings” in computing alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax.

6. The Bonds are exempt from personal property taxes in the Commonwealth, and the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

The opinion expressed in paragraph 5 above is subject to continuous compliance by the Authority and the Borrowers with their covenants in the Bond Indenture and Loan Agreement, and in the Tax Agreement, to satisfy certain provisions of the Code. Failure to comply with such covenants could cause the interest on the Series A Bonds to be included in gross income of the owners thereof, in certain cases retroactive to the date of issue of the Series A Bonds regardless of the date at which such non-compliance occurs or is ascertained.

Ownership of the Series A Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations receiving substantial passive income and Subchapter C earnings and profits, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Series A Bonds. We express no opinion with respect to these or other collateral tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds.

We express no opinion herein with respect to, and assume no responsibility for the accuracy or completeness of, any offering materials prepared in respect of the Bonds.

We call your attention to the fact that the Bonds are limited obligations of the Authority payable only out of the property pledged by the Authority and certain other moneys available therefor as provided in the Bond Indenture and that the Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision thereof, including the City of Philadelphia. The Authority has no taxing power.

Very truly yours,

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF CONTINUING DISCLOSURE AGREEMENT

**PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
SENIOR LIVING FACILITIES REVENUE BONDS
(WESLEY ENHANCED LIVING OBLIGATED GROUP)**

\$95,185,000
Series 2017A (Tax Exempt)

\$29,560,000
Series 2017B (Federally Taxable)

This AGREEMENT TO PROVIDE CONTINUING DISCLOSURE (the “Disclosure Agreement”), dated as of August 1, 2017, is executed and delivered by Evangelical Services for the Aging (d/b/a Wesley Enhanced Living) (“Wesley” or the “Obligated Group Agent”), as acknowledged and consented to by Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley), Martins Run (d/b/a Wesley Enhanced Living Main Line), Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) and Martins Run Home Partners (d/b/a Home Partners) (collectively, including Wesley, the “Obligated Group”), UMB Bank, N.A. (the “Trustee”) and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Obligated Group or anyone on the Obligated Group’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Trust Indenture (the “Indenture”), dated as of August 1, 2017, by and between the Philadelphia Authority for Industrial Development and UMB Bank, N.A., as Trustee (the “Trustee”). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a)(i) and 2(d), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of Wesley and subsidiaries for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a)(ii) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Borrowers” means Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley) and Martins Run (d/b/a Wesley Enhanced Living Main Line), each a Pennsylvania nonprofit corporation.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Quarterly Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Quarterly Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Group and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Community” means the integrated continuing care retirement community of each of the Borrowers, respectively, located in the City of Philadelphia, Montgomery County, Bucks County, or Delaware County, Pennsylvania (as applicable).

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder.

“Disclosure Representative” means the Chief Financial Officer of the Obligated Group Agent or his or her designee, or such other person as the Obligated Group Agent shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Group’s failure to file a Quarterly Report or Annual Report on or before the respective Quarterly Filing Date or Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of

any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means collectively, the Quarterly Reports, Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event Notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Philadelphia Authority for Industrial Development, as issuer of the Bonds.

“Main Line Project” means the proposed capital expenditures as described in the Official Statement for the Bonds in APPENDIX A – “DESCRIPTION OF THE WESLEY ENHANCED LIVING OBLIGATED GROUP – THE CAPITAL IMPROVEMENT PROJECTS – Summary of Proposed Capital Expenditures at WEL Main Line.”

“Major Construction Project” means any renovation, construction, equipping and/or improvement of any new or existing facility located or to be located at any Community at an aggregate cost of at least \$5,000,000.

“Master Indenture” means the Master Trust Indenture, dated as of August 1, 2017, as supplemented and amended, by and between the Master Trustee and the Obligated Group.

“Master Trustee” means UMB Bank, N.A.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Group” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer and the Obligated Group in connection with the Bonds, as listed on Exhibit A.

“Quarterly Filing Date” means the date, set in Sections 2(b)(i), by which the Quarterly Report is to be filed with the MSRB.

“Quarterly Financial Information” means quarterly financial information as specified in Section 3(b) of this Disclosure Agreement.

“Quarterly Report” means an Quarterly Report described in and consistent with Section 3(b) of this Disclosure Agreement.

“Trustee” means UMB Bank, N.A..

“Voluntary Event Disclosure” means information of the category specified in any of subsections (c)(vi)(1) through (c)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (c)(vii)(1) through (c)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Quarterly and Annual Reports.

(a) Annual Reports.

- (i) The Obligated Group shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, within 30 days after receipt of the Audited Financial Statements but in no event later than 150 days after the end of each fiscal year of the Obligated Group, commencing with the fiscal year ending December 31, 2017, such date and each anniversary thereof, the “Annual Filing Date.” Promptly upon receipt of an electronic copy of the Annual Report, Audited Financial Statements and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report and Audited Financial Statements to the MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. The Annual Report and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.
- (ii) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report, Audited Financial Statements and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by

telephone and in writing (which may be by e-mail) to remind the Obligated Group of its undertaking to provide the Annual Report and Audited Financial Statements pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report, Audited Financial Statements and the Certification, or (ii) instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1. The Disclosure Dissemination Agent shall not send the notice of the Failure to File Event to the MSRB unless the required information has not been received by 6:00 p.m. Eastern time on the Annual Filing Date as provided in paragraph (a)(iv) below.

- (iii) If the Disclosure Dissemination Agent has not received an Annual Report, Audited Financial Statements and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report and Audited Financial Statements, a Failure to File Event shall have occurred and the Obligated Group irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.
- (iv) If Audited Financial Statements of the Obligated Group are prepared but not available prior to the Annual Filing Date, the Obligated Group shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(b) Quarterly Reports.

- (i) The Obligated Group shall provide, annually, an electronic copy of the Quarterly Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 45 days after the end of each fiscal quarter of the Obligated Group, commencing with the fiscal quarter ending June 30, 2017, and each September 30th, December 31st, March 31st and June 30th thereafter. As such, a Quarterly Report and Certification shall be due commencing on November 14, 2017 (which initial Quarterly Report and Certification shall address the fiscal quarter ended June 30, 2017 and the fiscal quarter ending September 30, 2017) and each February 14th, May 15th, August 14th and November 14th

thereafter, such dates being the “Quarterly Filing Dates.” Promptly upon receipt of an electronic copy of the Quarterly Report and Certification, the Disclosure Dissemination Agent shall provide such Quarterly Report to the MSRB through EMMA. The Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

- (ii) If on the fifteenth (15th) day prior to the Quarterly Filing Date, the Disclosure Dissemination Agent has not received a copy of the Quarterly Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Obligated Group of its undertaking to provide the Quarterly Report pursuant to Section 2(b). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Quarterly Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Quarterly Report and Certification, or (ii) instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1. The Disclosure Dissemination Agent shall not send the notice of the Failure to File Event to the MSRB unless the required information has not been received by 6:00 p.m. Eastern time on the Quarterly Filing Date as provided in paragraph (b)(iii) below.
- (iii) If the Disclosure Dissemination Agent has not received a Quarterly Report and Certification by 6:00 p.m. Eastern time on the Quarterly Filing Date (or, if such Quarterly Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter), a Failure to File Event shall have occurred and the Obligated Group irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Quarterly Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to each Quarterly Filing Date and Annual Filing Date;
- (ii) upon receipt, promptly file each Quarterly Report and Annual Report received under Section 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(a) with the MSRB;

- (iv) Upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b) with the MSRB, identifying the Notice Event as instructed by the Obligated Group pursuant to Section 4(a) or 4(b) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:
1. Principal and interest payment delinquencies;
 2. Non-Payment related defaults, if material;
 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 5. Substitution of credit or liquidity providers, or their failure to perform;
 6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;
 7. Modifications to rights of securities holders, if material;
 8. Bond calls, if material;
 9. Defeasances;
 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 11. Ratings changes;
 12. Tender offers;
 13. Bankruptcy, insolvency, receivership or similar event of the Obligated Group;
 14. Merger, consolidation, or acquisition of the Obligated Group, if material; and
 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (v) upon receipt (or irrevocable direction pursuant to Section 2(a)(iii) or Section 2(b)(iii) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide [annual/quarterly]

financial information as required” when filing pursuant to Section 2(a) or Section 2(b) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Obligated Group pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated group;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Group pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”
 8. “consultant reports;” and
 9. “other financial/operating data;”
- (viii) provide the Obligated Group evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(d) The Obligated Group may adjust the Quarterly Filing Dates and Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Quarterly Filing Dates and Annual Filing Date to the Disclosure Dissemination Agent, Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(e) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Agreement and that is accompanied by a Certification and all other information required by the terms of this Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Reports.

- (a) Annual Reports. Each Annual Report shall contain the “Annual Financial Information” with respect to the Obligated Group which shall consist of operating data and financial information of the type included in the Official Statement for the Bonds as described in APPENDIX A including:
- (i) Statistics and data of the type set forth under the headings (A) “STATISTICAL INFORMATION FOR THE COMMUNITIES - Historical Occupancy for the Communities – Skilled Nursing” and – Sources of Nursing Residents,” “- Historical Payor Mix for Skilled Nursing at the Communities;” and “- Annual Net Entrance Fees Collected (after Refunds) by Community,” (B) “HISTORICAL FINANCIAL RATIOS,” (C) “STATEMENT OF OPERATIONS” and (D) “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE,” together with such narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Obligated Group. To the extent that other entities become members of the Obligated Group, comparable information will be provided with respect to the entire Obligated Group;

- (ii) An Officer's Certificate stating the Rate Covenant and the Liquidity Covenant (each as defined in the Master Indenture) for such fiscal reporting period and stating whether, to the best knowledge of the signer, any member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signer may have knowledge;
 - (iii) A certificate stating whether the Obligated Group is in compliance with the provisions of the Master Indenture and such other statements, reports and schedules describing the finances, operation and management of the Obligated Group and such other information reasonably required by an authorized officer of the Issuer;
 - (iv) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, will be included in the Annual Report;
 - (v) The Obligated Group's annual operating and capital budgets for the then current fiscal year, as approved by the Board of Directors of the Obligated Group Agent; and
 - (vi) The Centers for Medicare & Medicaid Services' ("CMS") star rating in accordance with CMS's Five-Star Quality Rating System for each skilled nursing facility of the Obligated Group.
- (b) Quarterly Reports. Each Quarterly Report shall contain the "Quarterly Financial Information" which shall consist of:
- (i) quarterly unaudited consolidated financial statements of the Obligated Group for such quarter, including a summary comparison to budget;
 - (ii) the quarterly statistics of the Obligated Group for the categories specified above in Section 3(a)(i) above; together with such narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of the quarterly utilization statistics concerning the Obligated Group;
 - (iii) for so long as the Main Line Project is ongoing, quarterly construction progress reports setting forth an overview of the current construction status, a summary of any outstanding material issues related to construction, and a statement with respect to the costs of the construction work having then been completed including the remaining amount in the Project Fund under the Indenture allocated to the Main Line Project;

- (iv) for so long as a Major Construction Project, if any, is ongoing, quarterly construction progress reports setting forth an overview of the current construction status, a summary of any outstanding material issues related to construction, and a statement with respect to the costs of the construction work having then been completed; and
- (v) a debt service schedule corresponding to any Long Term Indebtedness secured by an Obligation (as such terms are defined in the Master Indenture) incurred within such quarter, as applicable.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which each of the members of the Obligated Group is an “obligated person” (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Group will clearly identify each such document so incorporated by reference.

Any Quarterly Financial Information or Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Group;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Group member 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 Group member, 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 Group member.

14. The consummation of a merger, consolidation or acquisition involving an Obligated Group member, or the sale of all or substantially all of the assets of the Obligated Group member, 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
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Group shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(c)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Group or the Disclosure Representative of an event that may constitute a Notice

Event. In the event the Disclosure Dissemination Agent so notifies the Obligated Group or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Group determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(c)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in subsection (a) or by the Obligated Group as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(c)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Reports, the Obligated Group shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Group acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Group, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Group acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Obligated Group may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(c)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Group desires to make and identify the date

the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(c)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Group may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(c)(vii) of this Disclosure Agreement), include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(c)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Obligated Group is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Audited Financial Statements, Failure to File Event Notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report, Audited Financial Statements, Failure to File Event Notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statement, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Group and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Group is no longer an obligated person with respect to the Bonds.

SECTION 9. Conference Calls.

The Obligated Group shall conduct quarterly conference calls (the “Quarterly Conference Calls”) with the Disclosure Dissemination Agent and interested bondholders for as long as the Main Line Project is ongoing and the Obligated Group shall conduct semi-annual conference calls (the “Semi-Annual Conference Calls” and, together with the Quarterly Conference Calls, the “Conference Calls”) with the Disclosure Dissemination Agent and interested bondholders thereafter, during which Conference Calls the Obligated Group shall discuss recent financial and operating results. Each Conference Call shall be scheduled by the Obligated Group within a reasonable time period following the delivery of annual Audited Financial Statements to EMMA and, each Quarterly Conference Call, so long as Quarterly Conference Calls are still required pursuant to this Agreement, approximately 180 days thereafter. The Obligated Group shall, with the assistance of the Disclosure Dissemination Agent, provide at least 10 days’ notice (the “Call Notice”) of such Conference Calls via EMMA. The Call Notice shall set forth the date, time and dial-in information necessary to enable all interested Bondholders to participate. The format of the Conference Calls shall consist of an initial presentation by the Obligated Group Agent followed by an open forum for questions and answers. Each Conference Call will be recorded and be made available upon written request from the Obligated Group Agent from the date of such Conference Call up until the business day preceding the subsequent Conference Call.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Group or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’ rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties’ obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Group has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure 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 Obligated Group and shall not be deemed to be acting in any fiduciary capacity for the Obligated Group, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Group’s failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Group has complied with this Disclosure Agreement. The

Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Group at all times.

THE OBLIGATED GROUP AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Group under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Group.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group, the Trustee and the Disclosure Dissemination Agent may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Group, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Group, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Group, the Trustee and the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time.

SECTION 13. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Group, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law.

This Disclosure Agreement shall be governed by the laws of the Commonwealth of Pennsylvania (without regard to conflicts of laws).

SECTION 15. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent, the Trustee and the Obligated Group have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**DIGITAL ASSURANCE CERTIFICATION,
L.L.C.,**
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

**EVANGELICAL SERVICES FOR THE
AGING (D/B/A WESLEY ENHANCED
LIVING),**
On behalf of itself and as Obligated Group Agent

By: _____
Name: _____
Title: _____

UMB BANK, N.A.,
as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Philadelphia Authority For Industrial Development
Obligated Group: Evangelical Services for the Aging (d/b/a Wesley Enhanced Living), Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley), Martins Run (d/b/a Wesley Enhanced Living Main Line) Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) and Martins Run Home Partners (d/b/a Home Partners)
Name of Bond Issue: Senior Living Facilities Revenue Bonds (Wesley Enhanced Living Obligated Group) consisting of:
Series 2017A (Tax-Exempt) and Series 2017B (Federally Taxable)
Date of Issuance: August __, 2017
Date of Official Statement: _____, 2017

Maturity
([July] 1)

Amount

CUSIP

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE [QUARTERLY/ANNUAL] REPORT

Name of Issuer: Philadelphia Authority For Industrial Development Corporation
Obligated Group: Evangelical Services for the Aging (d/b/a Wesley Enhanced Living), Maple Village (d/b/a Wesley Enhanced Living Upper Moreland), The New Heritage Towers (d/b/a Wesley Enhanced Living Doylestown), Evangelical Manor (d/b/a Wesley Enhanced Living Pennypack Park), Stapeley Hall (d/b/a Wesley Enhanced Living at Stapeley), Martins Run (d/b/a Wesley Enhanced Living Main Line), Evangelical Services for the Aging Foundation (d/b/a Wesley Enhanced Living Foundation) and Martins Run Home Partners (d/b/a Home Partners)
Name of Bond Issue: Senior Living Facilities Revenue Bonds (Wesley Enhanced Living Obligated Group) consisting of:
Series 2017A (Tax-Exempt) and Series 2017B (Federally Taxable)
Date of Issuance: August __, 2017
CUSIP Numbers: []

NOTICE IS HEREBY GIVEN that the Obligated Group has not provided a [Quarterly/Annual] Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of August 1, 2017, by and among the Obligated Group, UMB Bank, N.A., as Bond Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Group has notified the Disclosure Dissemination Agent that it anticipates that the [Quarterly/Annual] Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Group

cc: Obligated Group Agent

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Group's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide [quarterly/annual] financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite. 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary event disclosure” will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of August 1, 2017 by and among the Obligated Group, the Trustee and DAC.

Issuer’s and Obligated Group’s Names:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____ “amendment to continuing disclosure undertaking;”
2. _____ “change in obligated person;”
3. _____ “notice to investors pursuant to bond documents;”
4. _____ “certain communications from the Internal Revenue Service;”
5. _____ “secondary market purchases;”
6. _____ “bid for auction rate or other securities;”
7. _____ “capital or other financing plan;”
8. _____ “litigation/enforcement action;”
9. _____ “change of tender agent, remarketing agent, or other on-going party;”
10. _____ “derivative or other similar transaction;” and
11. _____ “other event-based disclosures.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite. 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of August 1, 2017 by and among the Obligated Group, the Trustee and DAC.

Issuer’s and Obligated Group’s Names:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite. 300
Orlando, FL 32801
407-515-1100

Date:

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com